



## CORPORATE RESOURCES INTERNAL AUDIT SECTION

# City of Cardiff Council

## INTERNAL AUDIT STRATEGY 2016-17

### ***Mission Statement***

*Our aim is to provide a high quality service to existing and potential clients and to attain wide recognition as a lead provider of audit and investigative services, based on achieving a high standard of professionalism and expertise in service delivery.*

#### **Open**

We are open and honest about the difficult choices we face, and allow people to have their say on what's important to them and their communities

#### **Fair**

We champion fairness, recognising that with less resource we need to prioritise services for those who need them most

#### **Together**

We work with our communities and partners across the city to deliver the best outcomes for the people of Cardiff



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## FOREWORD

As Section 151 Officer for the City of Cardiff Council, I have responsibility for financial stewardship and to ensure that resources are used effectively to secure positive results. The Budget Strategy Report 2016/17 and the Medium Term Financial Plan 2017/18 – 2019/20 have set out an extremely challenging medium term position, which is being addressed through various saving driver and income generation options. A budget gap over the medium term necessitates a need to rethink how and what services are delivered and the most effective means of delivery within budget constraints.

The provision of an effective cornerstone of good governance within the Authority rests with Internal Audit and the work it does in terms of providing assurances around governance, risk management and internal controls. The team provides assurance that is independent and objective and as part of this review of the year the Audit Manager provides an opinion on internal control.

March 2016 sees the retirement of the Audit and Risk Manager, who has championed improvements in risk, governance and internal control by effectively steering the activities of the Internal Audit service for more than thirty years. The loss of such an experienced, knowledgeable and valued audit leader will provide a significant challenge going forward.

The Audit & Risk Manager's retirement has provided an opportunity to reassign risk management arrangements outside of Internal Audit, to strengthen the independence and objectivity of the Internal Audit function. An Audit Manager without specific risk management responsibilities will be appointed, to enable the Internal Audit function to focus on risk management assurance with a reduced role in coordinating risk management work.

I continue to support the independent activity of the Internal Audit team at a time when resources are limited and see their role as vitally important in providing challenge and assurance within the Authority to uphold sound financial stewardship. The year ahead presents some significant challenges in maintaining sound financial arrangements, with a need to be open to more commercial opportunities for income realisation and to deliver savings via different models of working. Throughout this period of change compliance with Council rules and regulations will be vital and the Audit team will be key in providing assurances in these areas.

**Christine Salter,  
Corporate Director Resources (Section 151 Officer)**

## 1. Purpose of the Strategy

The Internal Audit Strategy serves a number of purposes:

- ❖ To provide an overview of the Audit service and its resources; included in an updated Audit Charter;
- ❖ To identify key aims and objectives for the coming 12 months;
- ❖ To provide an overview of the audit work planned for 2016-17, based on assessment of risks, at the time the Audit Plan is prepared.

## 2. Audit Service Overview

### Resources

**Audit Manager** – 1 FTE - responsible for leading and managing the audit and investigation teams in delivering their roles, as set out within the Public Sector Internal Audit Standards (PSIAS), and other professional Codes of Practice. Also a member of the Finance Management Team.

**Audit Team** – 11 FTE - who undertake system based audits, financial audits, provides advice and guidance to clients on a wide range of matters and undertake work around efficiency and value for money. (This assumes the Principal Auditor - Risk & Governance remains within Internal Audit)

**Investigation Team** – 2.3 FTE - dedicated to the prevention, detection and investigation of suspected fraud or financial impropriety.

3. All audit staff are required to maintain the highest standards of professional practice, and comply with professional Code of Practices. For the Audit team, the Public Sector Internal Audit Standard is followed in all aspects of work undertaken and many of the principles of the Standard are followed in the other team.
4. The Section is managed by a CCAB qualified Accountant with audit and finance experience. In the Audit team, there are a further 3 qualified Accountants, and most other auditors are qualified Accounting Technicians. A Principal Auditor is studying CIPFA and 4 are studying for the Certified Internal Audit qualification. The Investigation team is led by a Group Auditor who has the CIPFA Certificate in Investigative Practice and investigators are Professional trained investigators (PINS).
5. An Organisational Structure, outlining staff resources, is available from the Audit Manager.
6. We value the professionalism and commitment of all Auditors and Investigators, and their ongoing development and training are fundamental to the delivery of the many challenging targets that are part of the Section's overall aims and objectives. The Council's Personal Performance and Development Scheme is fully adopted within Audit where all members of the team have an opportunity to consider how their skills match the roles they fulfil and how they look to meet the

objectives they have been set, relating to their role. This helps to identify team and individual development and training opportunities to ensure all team members remain up to date with best professional practice.

7. With the ongoing management restructure and a decision yet to be taken regards the impact of transferring risk management out of Internal Audit, it is difficult to know the final budget position for 2016-17 and more accurate figures will be reported early in the new financial year. Indicative figures are shown in Table 1 below, with a trend analysis over the past 3 years.

**Table 1 – Internal Audit Budget for period 2014-15 to 2016-17**

	<b>2014-15 £k (FTE)</b>	<b>2015-16 £k (FTE)</b>	<b>2016-17 £k (FTE)</b>
Audit	564 (14.0)	560 (14.0)	477 (12.0)
Investigations	355 (8.0)	134 (2.3)	133 (2.3)
<b>Total</b>	<b>885 (22.0)</b>	<b>694 (16.3)</b>	<b>610 (14.3)</b>

Notes:

- The figures do not include £31k cost of admin building – non controllable cost.
  - The figures do not include recharge figures or a contribution from an Earmarked Reserve (fraud) of £66k, primarily to help meet savings target for 2016-17.
  - The figures do include staffing costs for Principal Auditor – Risk & Governance, assuming the post will remain in Audit.
  - The figures have been adjusted to reflect a saving in management costs, circa £25k.
8. Of the £610k it is noted that £581k relates to staff related costs (95%), which highlights the minimal budget remaining for non-staffing related matters, as a consequence largely of year on year savings. This is a key factor whenever budget savings are being considered, as there is very little other than posts to look for, when savings have to be found.
  9. The table shows that staff resources have reduced on last year, with a Principal Auditor and Senior Auditor post being given up as part of budget savings. The main impact of this reduction relates to programme and project assurance where some key appointments were made in the ODP management structure, which allowed Internal Audit to take a step back and to focus more on providing an independent audit / assurance functions, making use of CRSA approach, as the means of maximising resources in this area. Audit also continues to play an active role as “critical friend” to provide assurance on a wide range of evolving projects.
  10. Further savings of £66k for 2016-17 have been met through contributions from an Earmarked Reserve, held for fraud prevention, detection and investigation work. The reserve relates to when the Council was rewarded for successful fraud sanctions and from contributions it received, to establish a Corporate Fraud team when SFIS was established. The use of this Reserve is welcomed, to avoid further staff cuts during 2016-17, and gives the opportunity over the next 12 months to seek more innovative ways of charging and developing new income streams.

## Service Delivery

11. The Audit Charter attached at **Appendix A**, sets out the definition, objective and scope for Internal Audit and how we comply with professional standards. It also sets out the main types of work we undertake, information relating to our independence, relationships with clients, some key quality standards and our Customer Care Statement.
12. The content of the Charter is aimed at demonstrating compliance with that recommended by the PSIAS. A comprehensive self-assessment exercise has been undertaken to measure the degree of conformance to the standard and the opportunity taken to ensure the Charter captures all key elements. This will be key for the external assessment scheduled for later in the year and is used by WAO to help with their assessment of how effective Internal Audit performs.
13. Our terms of reference in respect of audit and investigative work are contained in the [Council's Financial Procedure Rules at Section 4](#), which also sets out the authority that Auditors have to fulfil their roles. The Council's [Fraud, Bribery & Corruption Policy](#) also outlines the processes where there is suspected fraud or financial impropriety, where the Audit Section has a significant role to play.
14. We have developed a tried and tested Audit Protocol which sets out the audit process and reporting arrangements and our inter-relationship with our clients and we work to Service Level Agreements which sets out the service we aim to deliver and what we expect from our clients to enable us to perform our duties effectively. A copy of these documents is available on request from the Audit Manager.

## Quality Assurance and Improvement Programme - QAIP

15. We have continued to be proactive in developing a wide range of measures to capture different aspects of performance, covering elements of time, cost, general performance and quality, recognising the importance of monitoring how we provide a service and seeking continuous improvement. This gained further prominence following the Finance Service Review, where a decision was taken to adopt an in house approach to delivering an audit and investigation service, and it became more important to be able to demonstrate an economic, efficient and effective service.
16. The PSIAS recognises a need to maintain a QAIP and **Appendix B** sets out a number of measures we have in place to support such a programme. Again this will be a key element of our business when we are externally assessed later in the year.

## Key Aims and Objectives

17. In considering our key aims and objectives, and what we aim to achieve over the coming year ahead, we have been mindful of our SWOT analysis and current risks, which are dynamic and updated on a regular basis and as circumstances change. More information on these is available from the Audit Manager.

18. Our key aims and objectives for the 2016-17 are set out at **Appendix C**. In setting these out we have strived to ensure that we continue to deliver high professional standards for our core business, and at the same time look to see how we can be more effective in the approach we adopt, given the reduction in resources, at a time where we are experiencing an increasing demand for our services.
19. We are keen to make the best of our opportunities over the next 12 months, but we also recognise a number of risks which may impact on us achieving our objectives.
20. An understanding of our challenges and risks will help to shape these aims and objectives in producing a new Internal Audit Service Delivery Plan for 2016-17, which will be drawn up early in the new financial year. This will identify the key tasks and the expected outcomes from targeting the objectives as set out. It will also provide insight into the performance measures used to monitor actions and key skills required to target the objectives.
21. The Section's Service Delivery Plan will link, where possible, to the Finance Services key deliverables and with the Corporate Plan, which then enables a "golden thread" for individuals to set personal objectives as part of the Performance Development framework.
22. Many of our performance measures are reported to the Corporate Director - Resources & Section 151 Officer. The Head of Finance and Audit Committee on a regular basis and others feature in the Annual Internal Audit report. Audit is proactive in benchmarking with other Councils across Wales and the UK (CIPFA Benchmarking Club) and more recently with the UK Core Cities Group.

## **The Internal Audit Planning Process**

### **Audit Approach**

23. A risk-based approach is used for audit planning which focuses our resources on providing assurance in the areas of highest risk, while ensuring that we complete the required levels of assurance work for the Council's S151 Officer and Corporate Governance Framework.
24. We have been in a privileged position in that we have played an active role in developing the Corporate Risk Register and have engaged on a regular basis with service areas (the Service Area Risk Champions network) regarding their operational risks. This has provided us with valuable information of key risks at any point in time. We have also been instrumental in the work that prepares the Annual Governance Statement so are aware of any significant matters arising from this and we have worked closely with Directors in preparatory work for this.
25. Our annual assessment process is based on our Audit Planning database, which captures the audit universe built up over years, which in effect provides a record of all potential audits. This is maintained throughout the year with information of audits undertaken and is used to identify and provide a timeline of when audits were last undertaken. Each year, the database is reviewed for any

changes made to the risk assessment for individual audits, based on current knowledge, taking account of a number of factors, including business risk, level of internal control and the time since the last audit.

26. For the 2016-17 plan, consideration was given to the risks identified in the Council's Corporate Risk Register, the Annual Governance Statement and Senior Management Assurance Statement. An assurance map was developed using the "three lines of defence" model, which identified the work being done to mitigate the risks to the Council. Internal Audit analysed all the reports considered by Cabinet and all Scrutiny Committees during the year in order to identify where others have sought assurances in key areas of Council business. This approach was also used to assess the extent to which such reports provide assurance around the mitigation of these risks.
27. The Group Auditor and two Principal Auditors then undertook an audit needs assessments and considered the approach to these risks in order to identify planned audit engagements for 2016-17.
28. Using this approach, a proposed list of audits was produced. The Plan is analysed over 3 Tiers:
  - Tier 1 - incorporating the fundamental financial systems and high risk governance audits. The aim will be to deliver these 100% over the 12 month cycle of the Plan.
  - Tier 2 - incorporating some high and medium risks including those relating to Directorates and some value for money studies. Every effort will be made to target these but much will depend on changing risk profiles etc as the year proceeds.
  - Tier 3 - incorporating advice and guidance and other management tasks. Again, every effort will be made to deliver on these tasks but they are most likely to "slip" if other pressures arise during the year of the Plan.
29. Fundamental financial systems require an annual assessment, in terms of assurance to the Corporate Director Resources & Section 151 Officer, and these are included within a "Corporate" element of the Audit Plan. Wales Audit Office also review fundamental financial systems and may review the work undertaken by Internal Audit in these areas. Where such fundamental systems rarely change, a full systems audit may not be considered necessary every year, but follow up work and sample testing may be appropriate. Introducing a CRSA approach to these has helped target key areas and save audit time, and this approach will be expanded in 2016-17.
30. Once potential coverage for the year ahead is set out, this is shared with Directors giving them an opportunity to contribute to audit coverage for the coming 12 months. This will normally be through Relationship Manager meetings, where engagement with Senior managers across directorates helps to confirm that the risk assessment scoring assigned as part of the risk assessment process is robust. Managers have the opportunity to challenge proposed audit priorities and experience shows that they rarely change.



31. There is flexibility built into the Annual Audit Plan to enable managers' views to be taken into account, but care is taken not to compromise basic assurance work. Senior management in Finance are also consulted and the Corporate Director Resources & Section 151 Officer and Head of Finance, plays key roles with overall responsibility for financial stewardship in terms of input to the overall Audit Strategy and planned coverage.

### Audit Plan 2016-17

32. The risk assessment undertaken within Internal Audit and discussions with senior management then shape the Annual Audit Plan. This becomes the yardstick for performance management and deciding priorities as the year proceeds.

33. An exercise was undertaken to examine the different aspects of the work of the Investigation team assessing priorities for the coming year where returns on time spent would be maximised. A full report and assessment have been provided to the Head of Finance setting out an analysis of days across the different areas of fraud – available on request from the Audit Manager.

34. The following is a summary of days for 2016-17, with figures for previous years shown for comparison purposes. The figure for allotable days in 2014-15 was adjusted to take account of the workforce agreement in place during that year.

**Table 2: Trend analysis of Planned Days for period from 2013-14 to 2016-17**

		FTE	Total Days	Available Days	Allotable Days
<b>Audit</b>	2014-15	14.0	3,660	2,511	2,385
	2015-16	14.0	3,733	2,966	2,640
	2016-17	12.0	3,310	2,532	2,300
<b>Investigation</b>	2014-15	8.0	2,043	1,641	1,360
	2015-16	2.3	650	510	430
	2016-17	2.3	620	490	400

Notes:

- The Audit Manager role will no longer have responsibility for risk and will be managing the audit and investigation team full time.
- Assumption has been made that the Principal Auditor – Risk & Governance, will remain in Audit to undertake audits independently in risk and governance and other key high risk areas to provide the necessary level of assurances.

35. An outline of planned audit coverage is set out at **Appendix D**. This provides an overview of planned days analysed over fundamental audits, corporate governance and other assurance audits, those audits undertaken in relation to directorate, external clients / grant audits and some managerial tasks. A detailed analysis of days for each directorate in assignment detail is maintained by the Audit Team and provided to Senior Managers as appropriate. This is reviewed quarterly at Relationship Manager meetings, where priorities for coming months are discussed. A more detailed report of planned work is provided in June, following more detailed discussion with clients.

## **Monitoring of Plan & Performance**

36. Over the course of the year, priorities are continually reviewed and tasks assigned accordingly. This takes account of the changing risk profile of the authority and knowledge of the organisation and its own changing priorities. Introducing the Relationship Manager concept has allowed greater engagement with key stakeholders to capture changing risks and priorities to ensure the Section continues to add value in a professional manner. Over the past 5 years, the Council has been on a journey of business change and undergoing some significant remodelling of service delivery, which requires careful monitoring, so that internal audit resources can be targeted to best effect. There are also ongoing restructures with ownership of functions moving around the business which needs ongoing monitoring.
37. Monthly meetings are held with the Corporate Director of Resources & Section 151 Officer and Head of Finance, where there is an opportunity to discuss any matters relating to planned coverage or matters arising from audits undertaken and every quarter a progress report is prepared and discussed. This highlights any significant variances in the Plan and provides an update on other key performance data.
38. The Audit Manager also meets every two months with the Chief Executive, providing an opportunity to discuss audit matters and with the Audit Committee Chair at least quarterly.
39. The Audit Manager provides a quarterly report to Audit Committee providing an update on audits completed (with an associated audit opinion) and some key performance indicators. He also provides additional information on benchmarking and other aspects of audit work.

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### **MISSION STATEMENT**

Our aim is to provide a high quality service to existing and potential clients, and to attain wide recognition as a lead provider of audit and investigative services, based on achieving a high standard of professionalism and expertise in service delivery

A professional, independent and objective Internal Audit service is one of the key elements of good governance in Local Government. Cardiff Council's Internal Audit Section is compliant with the Public Sector Internal Audit Standards which forms a foundation for an effective Internal Audit service. Through compliance with these standards all members of the section adhere to the Code of Ethics stipulated within the Standards.

### **DEFINITION, OBJECTIVE AND SCOPE OF INTERNAL AUDIT**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The work of the Audit team is based around complying with the Public Sector Internal Audit Standards and undertaking assurance and consultation work on risk, governance, controls and fraud matters in accordance with the Accounts and Audit Regulations 2015. Our audit universe covers internal control throughout the Council.

We are committed to a proactive approach to risk management to ensure management of risk becomes embedded within the Council. By being more risk aware, the Council will be better placed to manage threats and take advantage of opportunities. This will lead to a more effective use of resources and direct improvements to the services we provide as well as improve corporate governance and performance.

We provide a framework for programme and project management, an independent assurance function and consultancy service, to ensure sound governance arrangements in areas where new projects and business changes are being explored and developed.

We undertake work to prevent and detect fraud and provide a professional investigative service into all aspects of suspected fraud, corruption and malpractice.

For the purpose of the Public Sector Internal Audit Standard, the Audit Committee acts as the "Board" and the Corporate Director of Resources & Section 151 Officer is the Senior Manager overseeing the Internal Audit Function. The Audit Manager is the Chief Audit Executive.

### **INDEPENDENCE AND OBJECTIVITY**

We are independent of the activities we audit and maintain an objective approach to our areas of responsibility. The section is not responsible for any operational responsibilities and has no authority over any of the activities audited. Independence renders impartial and unbiased judgements which are essential to the proper conduct of an audit. All members of the section are required annually to complete an Internal Audit Staff Declaration Form which confirms their compliance to the standards, including the Code of Ethics, demonstrating the importance of integrity, objectivity, confidentiality and competency of individuals.

The Chief Audit Executive will confirm to the board, at least annually, the organisational independence of the internal audit activity.

## REPORTING LINES

The Chief Audit Executive reports direct to the Corporate Director of Resources, who is the Section 151 Officer and has direct access and freedom to report to all senior management, including the Chief Executive and Members as he/she considers appropriate.

The Chief Audit Executive also reports quarterly to an Audit Committee, consisting of Councillors and independent members, who receive relevant reports to consider internal audit matters. The Chief Audit Executive also has the opportunity to meet with the Chair of the Audit Committee as deemed necessary.

The Corporate Director of Resources & Section 151 Officer sets the budget for Internal Audit in consultation with the Chief Audit Executive.

## ORGANISATION

The Board (Audit Committee) will

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Receive communications from the Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

## INTERNAL AUDIT PLAN

At least annually, the Chief Audit Executive will submit to senior management and the Board an internal audit plan for review and approval. The Chief Audit Executive will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board.

The Chief Audit Executive will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Board through periodic activity reports. Approval for any new audit engagements which exceed 10 planned audit days will be sought from the Audit Committee Chairperson.

## RELATIONSHIPS WITH OUR CLIENTS

All Auditors and Investigators are suitably qualified and collectively offer a wide range of skills, experience and knowledge.

We aim to adopt a participative approach to audit and to maintain a good working relationship with all our clients.

Each Director has a designated Senior Auditor who acts as a Relationship Manager and they meet every quarter to discuss risks, objectives, directorate specific issues, audits undertaken and completed and outstanding audit actions. Service Level Agreements are in place and a Protocol is agreed with each Director to ensure appropriate reporting arrangements are in place.

## AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Cardiff Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

Financial Procedure Rules and Audit protocols set out our rights in terms of access to records etc and what we expect from our clients in assisting the role we fulfil.

The Fraud, Bribery & Corruption Policy sets out the relationship between Internal Audit and directorates, outlining respective roles in relation to the investigation of suspected fraud and financial impropriety, key to this being the requirement for Senior Management to immediately notify the Chief Audit Executive as soon as any suspicion of this nature, comes to light.

Internal audit activity will also have free and unrestricted access to the Board.

We act as a technical support for the Audit Committee, whose Terms of Reference is available on the Council's website and we contribute to their work programme and setting of Agendas for their meetings.

The Chief Audit Executive attends all Audit Committee meetings and has the opportunity to meet separately with the Chair, as required.

### **INTERNAL AUDIT SERVICES**

We perform consulting and assurance audit engagements related to governance, risk management and control as appropriate for the organisation.

Roles will be performed by Internal Audit officers directly, or via commissioned specialists, in order to meet resource requirements.

As part of the roles below, we take a lead in reviewing key governance documents determining financial control, examples include; Financial Procedure Rules, Contract Standing Orders and Procurement Rules, and associated guidance documents; we lead on the Fraud, Bribery and Corruption Policy, the Risk Management Policy, Strategy & Methodology and the Project Quality Assurance Handbook.

We also play a major role in the review of many other governance and Human Resources policies and procedures, to ensure a robust consideration of risks and financial controls.

The scope of the section includes the following:

<b>Systems Based Audit</b>	Assessing risk and appraising the adequacy and effectiveness of internal control within a system. Forming an opinion and reporting on areas where improvements can be made to strengthen control.
<b>Financial Audit</b>	Testing systems to ensure accuracy and reliability of financial records to provide management assurance.
<b>Value for Money (VFM) / Efficiency Reviews</b>	Improving the efficiency and cost effectiveness of a system, with a view to achieving savings. This is often undertaken alongside a systems or financial audit.
<b>Fraud Investigations</b>	Assisting management in the prevention and detection of fraud and confidential investigations into all aspects of suspected fraud, corruption and malpractice.
<b>Financial Advice</b>	Giving financial advice on a confidential basis, as and when required.
<b>System Development</b>	Acting as a critical friend where any new and innovative ways of working or systems are being developed – ensuring a robust consideration of risks, the internal control environment and VFM.
<b>Risk Management</b>	Championing Risk Management at a corporate level and providing advice, training and workshops on the Risk Management Policy, Strategy and Methodology.
<b>Governance</b>	Engaging with senior management and leading on the preparation of key governance documents e.g. Annual Governance Statement
<b>Programme &amp; Project Assurance</b>	Reduce risk in delivering major change through managing the programme & project governance framework; provision of independent assurance; identifying improvement actions and skills development.

## QUALITY AND STANDARDS

We are committed to providing a professional, effective, efficient and quality service to both internal and external clients. The following control standards have been implemented:

- Adherence to relevant Codes of Practice and Standards.
- Compliance with Professional Accountancy / Audit and the Council's Codes of Conduct.
- A range of Business Objectives, Targets and Performance Indicators/Benchmarking.
- Annual Report and quarterly reporting to the Section 151 Officer and to Audit Committee.
- External Scrutiny e.g. the Wales Audit Office.
- Continuous Staff Development and Learning & Development Training Programme.
- Quality Assurance Questionnaires and feedback through relationship manager arrangements.

## CUSTOMER CARE STATEMENT

Encompassing the authority's customer care policy, we aim to respond to all our customers' enquiries quickly and effectively by our guarantee to:

- Involve clients in all stages of the audit process and more recently introduce a Relationship Manager for each Directorate.
- Initial response within 24hrs to enquiries on suspected fraud / financial malpractice.
- Provide an initial response to letters from the public within 7 working days and a full response within 14 days.

- Despatch written reports within time set out in the Terms of Reference.
- Regularly review the level and range of services we provide to ensure they support the objectives of the Council and continue to "add value".
- Staff the office between: 8.30am to 5.00pm Monday -Thursday  
8.30am to 4.30pm Friday, with answer phone service and [web page](#) for fraud referrals outside normal office hours.

If you wish to comment on any aspect of our service, please contact the Chief Audit Executive via one of the following options:

**Email:** [Derek.King@cardiff.gov.uk](mailto:Derek.King@cardiff.gov.uk), or [internalaudit@cardiff.gov.uk](mailto:internalaudit@cardiff.gov.uk)

**Telephone:** (029) 2087 2248

**Address:** City of Cardiff Council, Internal Audit, Room 357, County Hall, Atlantic Wharf, Cardiff, CF10 4UW

**Website:** [Audit Internet Site](#)

**QUALITY ASSURANCE & IMPROVEMENT PROGRAMME**

The following matters help to inform our QAIP:

1. We maintain a database of audits to control and monitor audit priorities which provides data for a Plan v Actual analysis of performance. All staff complete timesheets with time recorded for tasks or audits every 15 minutes, allowing a detailed analysis of time spent to be produced, which can be used to focus and improve on productive time.
2. Standard working practice requires that every audit assignment has to undergo a quality assurance review by a more Senior Officer and every report requires clearance before being sent. For any with Limited or No assurance these require sign off by the Audit Manager. A robust audit process has been developed over many years. SharePoint is used for all audits.
3. At the conclusion of every audit a Post Audit Assessment Form is completed where both the auditor and the reviewer score elements of the audit against key competency skills and any development needs are identified.
4. For every audit we contact the respective Line Manager and a quality assurance questionnaire is completed. These are reviewed by the Audit Manager who will contact client management if any concerns are raised. This process provides clients with an opportunity to suggest any improved ways of working. Current satisfaction rating is 100%.
5. All recommendations are monitored to assess the extent to which these are agreed by management as an indicator they are adding value to their business. Current satisfaction is 99%.
6. All reports issued are monitored until all actions are completed and the audit "closed". There are subject to review at Relationship Manager meetings with Directors.
7. All audit staff have regular meetings with their manager to review their portfolio of audits and every 6 months this culminates in a formal PPD review where strengths and weakness and identified. Milestones are used to ensure effective and timely completion and issue of reports.
8. We periodically undertake a separate exercise to assess the skills within the Section using a skills and competency questionnaire. This was last completed in the autumn of 2015 and helped inform the personal development and training plans for all staff.
9. We regularly update our Audit Charter, Audit Protocol and SLA to ensure they are fit for purpose and reflects the current service demands. This helps our clients understand our processes and what we expect of them.

10. Relationship Managers meet quarterly with Directors which provides an opportunity to discuss any audits completed, ongoing and planned and Directors' views on the service provided are sought through these meetings. Last autumn we also undertook a quality assurance questionnaire with directors and results were very encouraging.
11. We engage with benchmarking exercises to compare performance with "like" organisations to gauge our own performance and we report on significant variances. Last year we joined the UK Core Cities Group which is already helping share ideas and best practice.
12. We report regularly on many of the performance indicators we use and are subject to detailed scrutiny by Wales Audit Office and the Audit Committee.
13. In more recent times, much work has been done to review our audit processes and procedures with 'lean' thinking in mind, which has resulted in a number of new initiatives which are underway, all designed to improve the efficiency and effectiveness of the services we provide. These arrangements have become formalised through the section's Quality Assurance and Improvement Programme (QAIP) required by the Public Sector Internal Audit Standards.
14. The extended management team in the section meet on a monthly basis to consider aspects of the teams improvement programme such as the development of an opportunities log to develop the efficiency and effectiveness of the team.
15. Annually, the Audit Manager undertakes an annual assessment of the Section to identify areas which may be in need of improvement, which will inform the Audit Strategy for the forthcoming year. The assessment is structured around the requirements of the Public Sector Internal Audit Standards.
16. Work has commenced on assurance mapping to gather any information which will provide assurance in relation to governance, risk management or internal control. This will be used to inform the risk assessment in developing the Audit Plan to avoid duplication of effort and to maximise the limited audit resource available.
17. A Service Review Action Plan is continually reviewed and updated with key tasks monitored in driving improvement and efficiency. This will very much link to the QAIP to ensure improvement actions are implemented through 2016-17.
18. The intention during 2016-17 is to arrange for an external assessment as set out in the PSIAS. All the work undertaken as part of the QAIP should stand us in good stead for this assessment but we will need to continue to achieve high standards of professionalism in our role over coming months.



**KEY AIMS AND OBJECTIVES FOR 2016-17****Internal Audit**

1. To manage a seamless transition with the Audit & Risk Manager leaving the Council, with 45 years of experience, (30 of which as Manager). The new person in the role will need to get up to speed quickly, to provide the leadership and direction required at the start of a very busy year ahead.
2. To deliver a high level, professional audit service, that conforms fully with the Public Sector Internal Audit Standards (PSIAS).
3. To prepare an Audit Plan, maximising available resources, targeting high risk audits and effectively monitoring priorities against the Plan, which will provide assurance to the Section 151 Officer and Audit Committee. Key to this challenge is achieving this with a reduction in resources at a time where the authority is undergoing a major change and efficiency drive.
4. To prepare and deliver an external assessment of the Internal Audit service during the year building on the preparations already underway. Any lessons learned from the review will need be actioned to ensure full compliance to the PSIAS.
5. To maintain a strong audit profile through working closely with the Chief Executive, Audit Committee Chair and members, the Section 151 Officer and the Head of Finance, who champion the role of the Audit teams and develop the 'Relationship Manager' role, working closely with Directors to maintain our awareness of changes in the Authority's risk profile, and to sustain audit knowledge to ensure effective controls are maintained, at a time of strategic and operational change in directorates.
6. To continue our "Critical Friend role" through proactive input to the development of new systems to ensure adequate consideration of risks and internal controls. In fulfilling this role, we need to protect the objectiveness and independence of the internal audit service.
7. To support compliance to the internal control frameworks throughout the Council, at a time of strategic and operational change, to protect the basic control principles, through high quality advice and guidance to clients, including an update of key financial governance documents.
8. To deliver an effective audit service through continual review of 'lean' working practices, with best use of new technology. This is to include greater use of 'Control Risk Self Assessments' to maximise use of audit resources and encourage greater ownership of risks and the control environment.
9. To continue to maximise the opportunity of being a member of the UK Core Cities group and to remain proactive in relation to benchmarking and comparison of key data to seek to enhance economic, effective and efficient service delivery.

10. To continue to develop an approach to assurance mapping to better understand the contribution other bodies are able to contribute, providing assurance in relation to governance , risk management and internal control, with the aim of reducing duplication and enabling audit resources to be more effectively deployed.
11. To provide training and education to directorates via involvement in the Institute of Leadership & Management training courses, in order to encourage directorates to pro-actively develop, implement and review controls and risks. This to be part of targeting demand management.
12. To contribute to assurance relating to sound governance, management of risks and internal controls in relation to all projects. With the pace and complexity of change and move towards new business models, we will need to review the development of appropriate Corporate Governance Standards for programme & project management.
13. To embed the CRSA approach to all projects (ODP and wider), working with Programme and Project Managers.

### **Investigations**

14. To deliver a professional investigation service, with a reduction in resources at a time when demand for our expertise is increasing. In doing so, to remain compliant with appropriate Codes of Practice and professional standards.
15. To provide training, mentoring and education to directorates, trade unions and employees in order to reduce the likelihood of fraud being committed, to promote the work of Internal Audit and the Investigation team and to encourage referrals when there is a suspicion of Fraud, Bribery, Corruption or financial irregularity. This is to be key in delivering the new Disciplinary Policy mandatory training requirements.
16. To contribute to the review of policies and procedures in order to ensure the consistent approach to investigations and sanctions.
17. To deliver an effective investigation service through continual review of lean working practices, with best use made of new technology.
18. To act as main contact and system administrator for the NFI.

### **All Teams**

19. To promote talent management and staff development as key elements of the success of the business and by continued support of the Council's personal development scheme. To support opportunities for staff to train and develop so that they remain competent, efficient and effective in undertaking the tasks expected of them. Through training, look to address any lack of skills in specific areas e.g. ICT audit.

20. To encourage, mentor and support those recently enrolled to study CIA and ICT specific qualifications to achieve a rich balance of highly qualified team members across the Section.
21. With the pace and degree of change and the fundamental role finance plays in all aspects of Council business the team will need to continue to support the Chief Corporate Services & Section 151 Officer, Head of Finance and Audit Committee with their roles in terms of audit and investigation matters.
22. To consider a more commercial approach to service provision, exploring opportunities for reducing charges and generating income. This to consider working with others to deliver services.

## DRAFT AUDIT PLAN OVERVIEW FOR 2016-17

<b>Audit</b>	
<b>Fundamental Audits - S151 Assurance (Tier 1)</b>	<b>Estimated Days</b>
Creditor Payments & Processing	45
Payroll related	70
Council Tax	15
NNDR	15
Local Housing Allowances	15
Treasury Management	10
Main Accounting	10
Debtors	15
Asset Management	10
Housing Rents	15
<b>Total</b>	<b>220</b>
<b>Corporate Governance Assurance – Audit (Tier 1)</b>	<b>Estimated Days</b>
Risk management arrangements	20
Governance arrangements	30
Ethics and values	15
Performance management	15
Information Governance	20
Delegation and decision making	20
Programme and Projects (including ODP)	60
Procurement	20
<b>Total</b>	<b>200</b>
<b>Other Assurance (Tier 2)</b>	<b>Estimated Days</b>
Contract Audit	130
Education - SOP	30
Computer Audit	100
Driving Improvement - Value for Money studies	70
Systems Development – critical friend role	50
Pensions & Investments	10
Insurance	10
Mileage & subsistence	15
Stores	15
Health and Safety	15
Business Continuity	15
<b>Total</b>	<b>460</b>

<b>Audit</b>	
<b>Service specific audits (Tier 2)</b>	<b>Estimated Days</b>
City Operations	150
Communities, Housing and Customer Services	120
Economic Development	70
Education and Lifelong Learning	280
Governance and Legal Services	20
Resources	60
Social Services	250
<b>Total</b>	<b>950</b>
<b>External (Tier2)</b>	<b>Estimated Days</b>
External Clients	10
Grants	20
<b>Total</b>	<b>30</b>
<b>Management (Tier 3)</b>	<b>Estimated Days</b>
Corporate work - committees, WAO etc.	50
Assurance mapping	20
CRSA development	20
Work for Management	20
Planning, monitoring & reporting	20
Process Development	20
Consultancy – advice and guidance - Review of rules	70
<b>Total</b>	<b>220</b>
Contingency	<b>220</b>
<b>TOTAL AUDIT DAYS</b>	<b>2,300</b>
<b>Investigations</b>	
	<b>Estimated Days</b>
Prevention – policies, training, advice	30
Directorate referrals	110
Other proactive investigations including NFI	150
National Fraud Initiative	110
<b>TOTAL INVESTIGATION DAYS</b>	<b>400</b>