



7.1 Annex 1

Internal Audit Strategy



This following strategic statement seeks to inform those relying on the work and assurances of the Internal Audit Team. It references, but avoids duplicating the content of core documents, namely the Internal Audit Charter (and its appendices) ~~and the Audit Protocol.~~

Strategic Intentions

The Strategic intentions of the Internal Audit Service are:

- Enhance and protect organisation value through risk based and objective assurance, advice and insight
- Be recognised as a leading provider of audit and investigative services, based on achieving a high standard of professionalism and expertise in service delivery.
- Deliver audit services in accordance with the Public Sector Internal Audit Standards.
- Deliver a plan of assurance audit engagements, which are sufficient to publish an Audit Manager annual opinion on the Council's control environment.
- Deliver value by aligning the Audit Plan to the Council's strategies, objectives and risks, and through delivering robust audit assurance and support.
- Support managers to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable.
- Develop and maintain a strong knowledge, skills and expertise within Audit Teams.

Vision and Mission

Our purpose is to enhance and protect organisation value by providing risk based and objective assurance, advice and insight. We aim to be recognised as a leading provider of audit and investigative services, based on achieving a high standard of professionalism and expertise in service delivery.

Audit Charter

The Internal Audit Charter establishes the position of Internal Audit within the organisation, the Audit Manager's functional reporting relationship with the **Governance and** Audit Committee, rights of access, and the scope of our internal audit services.

It also states how we deliver audit services in accordance with the Public Sector Internal Audit Standards (PSIAS), encompassing the mandatory elements of the International Professional Practices Framework ('Definition of Internal Audit', 'Core Principles', 'Standards' and 'Code of Ethics').

The Internal Audit Plan

Purpose

A primary requirement of the Audit Team is to deliver a plan of assurance audit engagements, which are sufficient to publish an Audit Manager annual opinion on the Council's control environment, comprising governance, risk management and control. We also provide core assurance to the Section 151 Officer and the **Governance and** Audit Committee relevant to their respective responsibilities.

We also provide consulting or advisory services, generally at the request of Management for independent insight and guidance on areas of control during process development / change. We aim to deliver value by aligning the Audit Plan to the Council's strategies, objectives and risks, and through delivering robust audit assurance and support.

The Investigation Team performs a range of proactive and reactive work in order to prevent and detect fraud. We support managers to develop and maintain a culture in which fraud, bribery and corruption are understood across the organisation as unacceptable, for which firm action is and will be taken to prevent and detect fraud loss, bring fraudsters to account quickly and efficiently, and to recover any losses.

The first line of defence is the internal control environment within each directorate, in which there needs to be a culture of accountability, a zero tolerance to fraud, supported by a robust application of controls.

Process

Our risk-based Internal Audit Plan is prepared annually and is subject to continual review throughout the year, and adjusted as necessary in response to changes in risks, programmes, systems and controls, and the work and findings of other assurance providers.

Our audit plan will align to the strategies, objectives and risks of the Council, with audit engagements prioritised for delivery through assurance mapping in application of the 'three lines of defence' model, and a process of co-ordination and reliance, to account for relevant wider sources of assurance in the timing and focus of planned audits.

We will obtain the information to develop our plan through:

- Regular engagement with the Chief Executive, Section 151 Officer and Directors.
- Audit Manager attendance at Assurance Senior Management Team meetings.
- Monitoring Council activity, strategy, risks, assurance / inspection / regulatory reports.
- Regular meetings with the Wales Audit Office to discuss and co-ordinate work.

We plan to undertake fundamental audits (of core financial systems) every other year. A fundamental audit may take place in an intervening year in response to audit intelligence / assurance. In order to continue to rely on the Council's assurance framework, we will plan to undertake an audit of Risk Management on an annual basis.

The investigation Team will gather best practice information and intelligence through networking, investigate referrals to an appropriate outcome, engage with the Wales Audit Office and Cabinet Office in undertaking data matching exercises to identify and review potential frauds and irregularities, and lead the Council's counter-fraud agenda. The Team

will offer support, advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures, and policies and procedures.

Delivery

The Audit Plan will be delivered by the Council's Internal Audit Service. The Audit Manager will use the audit resources available to deliver the Audit Plan and buy-in additional resources as required, as outlined in the Audit Charter.

The Counter-Fraud Plan will be delivered by the Investigation Team, and resources will be monitored and managed in order to deliver the targets and objectives set.

The Audit Manager will inform the **Governance and** Audit Committee and Section 151 Officer if there are insufficient resources available to effectively deliver the Internal Audit Service.

We will follow up all audit recommendations, with client evidence required to the satisfaction of the lead auditor, for the closure of any 'red' or 'red/amber' rated recommendations.

Internal Audit Development

The quality assurance and improvement programme (QAIP) within the Audit Charter summarises our performance management approach, at individual auditor and team levels. This approach provides ongoing, annual review and 5-yearly external assessment for reporting ongoing conformance with the PSIAS.

The Audit Manager will continually monitor the knowledge skills and other attributes necessary to deliver the audit plan each year. All operational auditors will undertake a skills assessment annually and professional development and training will be allocated accordingly.

Oversight Reporting for Internal Audit Activity

At least quarterly ~~In each Audit Committee Meeting~~, the Audit Manager will report **to the Governance and Audit Committee** on Internal Audit Service performance and PSIAS conformance, and will provide critical information on the progress against the Internal Audit and Investigation Team Plans, and the core findings.

An executive summary of any unsatisfactory audit reports will be provided to **the Governance and** Audit Committee and the Portfolio Cabinet Member once the audit is finalised.

The Audit Manager will produce an Annual Report, which will principally include

- An annual opinion on the framework for governance, risk management and control.
- A summary of the Internal Audit work completed from which the opinion is derived.
- The results of an annual review of the performance of the Internal Audit Team against the QAIP and conformance with the PSIAS.

A separate Annual Report will be prepared for the Investigation Team, outlining the work completed, its impact, the progress against the work plan, and actions for the next year.

Chris Pyke - Audit Manager, Cardiff Council.