

Strategic Statement Supporting the 2023/24 Audit & Assurance Plan

1. **Introduction & Purpose**

1.1 Under the Accounts and Audit Regulations 2015 the Council is required to have an effective internal audit in place to evaluate the effectiveness of its risk management, control and governance processes, taking into account compliance with the Public Sector Internal Audit Standards (PSIAS).

1.2 The PSIAS define Internal Auditing as:

'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.'

1.3 The PSIAS require the Head of Audit & Assurance to prepare an annual risk-based internal audit plan, which takes into account the requirement to produce an annual internal audit opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion statement is one of the key contributors to the Annual Governance Statement which the Chief Executive and Leader are required to sign off each year alongside the final accounts.

1.4 The annual programme of audit work, as defined within this annual audit plan, is the basis on which the Head of Audit & Assurance forms the required annual audit opinion.

2. **Scope and Independence**

2.1 In line with the requirements of the PSIAS, the Head of Audit & Assurance is responsible for the effective review of all aspects of risk, governance and internal control throughout the full range of the Council's activities.

2.2 Audit and Assurance will remain independent of the activities that it audits to ensure internal auditors perform their duties in accordance with the statutory guidance, and relevant codes of ethics, and to ensure impartial, objective and effective professional judgements. Internal auditors have no operational responsibilities within the Council. Audit & Assurance staff have right of access to all information and records held by the Council which may be necessary in carrying out their work and may seek explanations on any matters from any officer or Member of the Council without fear or favour.

3. **Standards and Ethics**

3.1 All internal audit work will be delivered in line with the requirements of the PSIAS.

3.2 The PSIAS contain a mandatory Code of Ethics for all internal auditors in UK public sector organisations. Individual members of the internal audit staff within Audit & Assurance are also bound by the codes of ethics of their respective professional institutes. They are also required annually to declare that they comply with the Council's Code of Ethics for Internal Audit and that they have no conflicts of interest.

4. Internal Audit Planning Strategy

4.1 This strategy recognises that it is management's responsibility to establish and maintain a sound system of internal control and ensure that risks are properly managed. The overall aim of internal audit work is to establish areas requiring improvement and recommend solutions that will enable the Council to achieve its objectives.

4.2 The audit strategy and planning process reflects that the audit environment is constantly changing, requiring continuous review and re-evaluation to ensure that emerging risks are identified and assessed and included as appropriate in the audit plan. Specifically, recognising the unprecedented challenges facing Public Sector finances, the strategy must have in built flexibility to consider:

- Greatest risks to achievement of the Council' s objectives
- New areas of activity;
- Issues of local significance and importance;
- Changing issues and priorities;
- Changes to models for service delivery and partnership working; and
- The impact of changes on existing control structures.

4.3 The key principles of Audit & Assurance's approach to audit planning are:

- to deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations (2015).
- to meet the requirements of the PSIAS (2017) by producing a risk based audit plan that takes into account the Council's organisational strategies, objectives, risks and priorities.
- to focus assurance effort on the most important issues for the Council, by assessing critical business processes and principal risks, at both strategic and operational levels.
- to support the Director of Finance and Deputy Director Legal & Governance in fulfilling their obligations as the Council's Section 151 and Monitoring Officers respectively.
- to liaise with the external auditor, Grant Thornton, to coordinate the approach and scope of work so that they can place reliance on the work of Audit & Assurance in delivering their own programme of work, where appropriate.
- to add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money and promoting organisational improvement.
- to consult with key stakeholders to ensure provision of an appropriate level of assurance within the available resource, accepting that not all requests can or will be met.
- to provide sufficient flexibility to allow the plan to evolve to meet any significant emerging risks during the year and to respond where appropriate to management requests for assistance, advice and consultancy.

5. Internal Audit Planning Methodology

5.1 The approach to audit planning for 2023/24 has been a risk based approach in line with the requirements of the PSIAS and has been prepared following

consultation with senior management to establish the key risks areas faced across the Council. Consideration has also been given to the areas identified within the Corporate and Departmental Risk Registers, the Departmental Management Accountability Framework Director Dashboard Reports, and from a review of the outcomes of previous audits, together with cumulative audit knowledge and experience. Potential audit areas (the Audit Universe) have been identified and risk assessed against the following criteria:

- Materiality;
- Legal, Political and Reputational risk;
- Management priority;
- Internal Control, governance and previously identified issues;
- System stability; and
- Time since previous audit review.

5.2 The annual plan is produced from the Audit Universe and prioritised (Level 1-6) to the level of risk associated with each issue. The priorities have been determined as follows:

- Priority 1 (highest): A corporate risk, strategic governance or fundamental control review, not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 12 months; or a grant claim certification, which must be endorsed by internal audit to comply with the funding requirements of central government departments. (Red).
- Priority 2: A significant departmental risk, governance, control or improvement issue identified by Directors and/or their departmental management teams not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 12 months. (Amber)
- Priority 3: A significant departmental risk, governance or control issue identified from a review of corporate/departmental risk registers, MAF returns or Council minutes not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 12 months. (Yellow)
- Priority 4: Other departmental risk, governance or control issue not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 2 years. (Green)
- Priority 5: Other departmental risk, governance or control issue not subject to a recent satisfactory audit review (adequate/substantial assurance opinion) within the previous 3 years. (Mauve)
- Priority 6 (lowest): Departmental risk, governance or control issue removed, no longer applicable or not auditable. (White).

5.3 In addition, during the planning meetings with Directors and other senior managers consideration was given to areas for inclusion in the plan (Priority A*) where internal audit could provide added value developing our approach from traditional 'policeman' to one of 'educated friend'. This would provide scrutiny and challenge to activities and ensure that adequate controls are in place to meet the objectives for the activity identified. This work would support senior management in ensuring effective internal controls exist

whilst identifying opportunities for improving value for money using our risk-based approach.

- 5.4 Only the priority 1, 2, and 3 reviews identified are able to be delivered in the 2023/24 Internal Audit Plan due to the limited Audit & Assurance staff resources available. Provision has also been included for value for money work to be carried out during the year, at the request of the Director of Finance.
- 5.5 It is important that there is ability to flex and adapt the annual plan during the course of the year. The plan priorities will be reviewed with Directors during the course of the coming year to assess the impact of any changes to risk profiles, identify new or emerging issues and agree any changes to priorities.

6. Key Challenges & Opportunities

- 6.1 Transformation of services and budget pressures throughout the Council continues to result in significant challenges and changes to the control framework, and risks can increase as skilled and experienced staff leave the organisation or when new and innovative ways of working are developed and implemented. We need to be aware of the challenges that face the Council and maintain awareness of these risks as they emerge. The audit plan has been developed to provide assurance that basic risk, governance and control arrangements continue to operate effectively, minimising the risks of misappropriation, loss and error and to ensure that key risks are identified and adequately managed or mitigated.
- 6.2 To add value, Audit & Assurance needs to take into account the key changes and issues affecting the Council. The specific challenges and opportunities facing the Council at the current time have been considered as part of the planning strategy.

7. Categories of Internal Audit Work

- 7.1 The overall opinion on the Council's control framework is derived from a range of Audit & Assurance work over a number of areas. The work of the service is broadly categorised as follows:
- Planning – a risk based internal audit plan will be created on an annual basis, which will incorporate key risk areas within the Council, in line with strategic and operational risk registers, and the Council's Risk Management Policy.
 - Risk-based system audits – one of the main ways that Audit & Assurance will form a view on the overall control system is by carrying out reviews of the component systems and processes (e.g. using process maps that identify risks and controls; drafting system notes) established within respective business entities. These are commonly known as risk-based system audits and will allow Audit & Assurance to assess the effectiveness of internal controls within each system in managing business risks, enabling a view to be formed on whether reliance can be placed on the relevant system. This approach will enable resources to be used in an efficient way, whilst maximising the benefit that can be derived from it.
 - Compliance / regularity / establishment / school audits – these audits are intended to assess if systems are operating properly in practice.

They are typically site-based (establishment) and focus on the propriety, accuracy and completion of transactions made. The term 'site' includes departments, services or devolved units. The audits may focus on specific systems or cover transactions in all major systems (not necessarily just financial systems). This will also provide information and evidence about the extent, in practice, of compliance with organisational policies, procedures and relevant legislation.

- Key Control Testing – a variation on compliance audit but focusing on a small number of material or 'key' controls that provide assurance on the completeness and adequacy of the Council's accounts. This can provide the basis for external audit to place reliance on the work of Audit & Assurance.
- Procurement – This will use the risk-based methodology to assess compliance with the Council's corporate procurement strategy and the Constitution, with reference, in particular, to major contracts.
- Service Reviews / Value for Money – these reviews will use the risk-based methodology, working often in a multi-departmental team, to review specific processes. Value for money will be a consideration in both these and more general audit reviews.
- Control Risk Self-Assessment – facilitating the review by services of their own risks and controls in a structured way, for example, via questionnaires or workshops. This can service both the requirements for assurance or as consultancy.
- Systems Development Audit – phased review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control during the development stage, thus minimising the need for re-working.
- Counter Fraud – preventing, detecting and investigating fraud and corruption is, ultimately, a responsibility of management – as part of management's general responsibility for the integrity of the Council's activities. Most cases of fraud and corruption exploit the same weaknesses in systems that, in other circumstances, might have led to nothing more than a mistake. Internal audit will assist management by:
 - verifying management's arrangements for ensuring systems are secure against fraud and corruption and report on any weaknesses;
 - investigate, using the fraud response plan, cases where there is evidence of fraud and irregularity;
 - when requested, undertake investigations into suspected or alleged fraud or corruption. These will be conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff;
 - review weaknesses revealed by instances of proven fraud or corruption, including review of National Fraud Initiative (NFI) data matches to ensure that appropriate action is taken to strengthen internal control arrangements;
 - verify that the risk of fraud and corruption is specifically considered in the Council's overall risk management process; and
 - develop counter fraud awareness and understanding of fraud risk.

- ICT Audit – specialist review of the control of hardware, software and the ICT environment to evaluate fitness for purpose and security of the ICT environment. These reviews will be conducted by in house staff being trained in the technical IT aspects.
- Consultancy – Audit & Assurance can also provide independent and objective services, including consultancy and fraud-related work. These services apply the professional skills of Audit & Assurance through a systematic and disciplined approach and may contribute to the opinion, which Internal Audit provides on the control environment.
- Follow up audits – these are designed to test the implementation and effectiveness of previous audit recommendations.
- Evidence – all audit findings, conclusions and recommendations will be evidenced on file. Relevant details on which findings and recommendations are based will also be supported by evidence held on file within the Internal Audit section.
- Use of Technology – Internal Audit will employ relevant technology where appropriate when testing systems and when producing working papers and reports. Additionally Internal Auditors will be alert to IT risk in relations to technology utilised within systems under review.

8. Reporting Arrangements

8.1 At the conclusion of each audit assignment, a draft report is issued to the appropriate manager within the Council. A management action plan is included within the report, which summarises the recommendations arising. Management should agree these actions, allocating responsibilities and timescales for implementation.

8.2 Recommendations included in the report are classified as follows:

Must Critical in that failure to address the issue or progress the work will lead to one of the following occurring: loss, fraud, impropriety, poor value for money or failure to achieve against organisational objectives. Examples include failure to comply with legislation or organisational policy or procedures. *Remedial action must be taken immediately.*

Should Not critical but failure to address the issue or progress the work could impact on operational objectives and should be a concern to senior management. *Prompt specific action should be taken.*

Consider Areas that individually have no major impact on achieving objectives or on the work programme, but where combined with others could have an effect at the process level which could give cause for concern. *Specific remedial action is desirable.*

8.3 For the risk, control and governance audit reviews that support the Head of Audit & Assurance's annual audit opinion the final report will provide an assurance level. This will be measured to cover (i) the control environment following an assessment of internal controls identified and (ii) compliance following testing to measure application of those controls. The levels of assurance provided in the audit report are as follows:

Assurance Level	Control Environment	Compliance
Substantial	There are minimal control weaknesses,	The control environment has substantially

	which present very low risk to the control environment.	operated as intended although some minor errors have been detected.
Adequate	There are some control weaknesses, which present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited	There are significant control weaknesses, which present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No	There are fundamental control weaknesses, which present an unacceptable risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

8.4 For the consultancy reviews, where Audit & Assurance is providing independent advice and support to departments during the implementation of new systems and procedures an opinion may be provided, which reflects progress on these developments. This opinion may contribute to the Head of Audit & Assurance's annual audit opinion.

8.5 A final report containing management responses to any issues identified is subsequently distributed to:

- The Director responsible for the area reviewed;
- The Director of Finance (Section 151 Officer);
- The Statutory Governance officers Group (Limited and No Assurance Reports only); and
- Grant Thornton (the Council's external auditor) (Limited and No Assurance Reports only).

9. Monitoring Arrangements.

9.1 The Audit & Assurance Plan will be monitored via weekly progress meetings of the Audit & Assurance management team, regular meetings with the Director of Finance and external audit. Individual reports will be issued to relevant senior managers and the Director of Finance.

9.2 The plan reflects the assurance need, however, it is recognised that priorities may be subject to change. In addition to the contingency that is available, we accept that there may be a need to amend our planned audits during the year so that we continue to reflect the priorities and risks of the Council. We will discuss minor changes with the Director of Finance. Any significant matters that impact upon completion of the plan or require substantial changes will be reported to Corporate Leadership Team and to the Audit & Governance Committee.

9.3 Report recommendations from individual audits are followed up to ensure they have been implemented as agreed. This arrangement allows progress

against the plan to be discussed, management actions confirmed, and ensures audit resources are directed towards priority areas. It is the responsibility of management to ensure that all agreed actions arising from an audit report are implemented in accordance with the timetable agreed in the management action plan included in the audit report.

- 9.4 Where we issue a *limited* or *no* assurance report we will undertake “standard” follow-ups after 3 months. For all other assurance reports, we will undertake a “standard” follow up after 6 months. Where we have particular concerns about the implementation of recommendations we will undertake further “physical” follow up exercises where documentation will be reviewed and further testing undertaken.
- 9.5 In addition, summaries of finalised Audit & Assurance reports are presented to each Audit & Governance Committee meeting to provide an update of audit progress and coverage and to outline the key issues arising from this work. This also includes information on the implementation of agreed recommendations.
- 9.6 The performance of Audit & Assurance will be measured against a suite of performance measures and reported on a quarterly basis to Audit & Governance Committee through the progress & outcomes report. The defined targets are:

Achievement:

- a) delivery of priority 1 audit plan topics: 100%
- b) percentage of planned assignments completed within budget: 90%
- c) percentage of final reports agreed within deadline: 90%
- d) follow ups undertaken within deadline: 90%

Quality:

- a) percentage of agreed recommendations implemented: 90%
- b) percentage of client’s satisfied with the Service : 75%
- c) percentage compliance with PSIAS: 95%.

- 9.7 The extent of audit work performed during the year, managers’ acceptance of audit recommendations and the subsequent improvements in controls and processes enable a formal opinion to be prepared by the Head of Audit & Assurance as to the quality of the overall internal control environment. This formal opinion will be presented to members within the Annual Internal Audit Report and this formal opinion feeds directly into the Annual Governance Statement.

10. Audit & Assurance Resources

- 10.1 As at 1 April 2023 Audit & Assurance will have a staffing structure devoted to the delivery of the Audit & Assurance Plan, which comprises of 5.1 full-time equivalent (FTE) posts:

- 1 Head of Audit & Assurance (0.60 FTE)
- 2 Principal Internal Auditors (1.8 FTE)
- 2 Internal Auditors (2.0 FTE)
- 1 Apprentice (0.7 FTE)

- 10.2 The qualifications, experience and specialisms of the staff occupying the current staffing structure are as follows:

Name	Qualifications	Experience	Specialism
Colin Ferguson Head of A & A	ACCA	39 years	Strategic Risk & Governance Audit
Chris O' Halloran Principal Internal Auditor	PIIA	13 years	Counter Fraud Contract Audit
Andrew Tordoff Principal Internal Auditor	HND in Accounting Foundation Diploma in Business Analysis	23 years	IT Audit Risk & Governance Audit
Catherine Bibby Internal Auditor	Honours Degree/ IAP/AAT Part Qualified	9 years	Risk & Governance Audit
Muhammad Saleh Ahmed	AAT, CA Part Qualified	2 year	Risk & Governance Audit
Matthew Ramsden	A levels	18 months	Risk & Governance Audit

ACCA - Association of Chartered Certified Accountants

PIIA - Practitioner of the Institute of Internal Auditors

IAP - Internal Audit Practitioner (Institute of Institute Auditors)

CA – Institute of Chartered Accountants (Pakistan)

AAT - Association of Accounting Technicians

HND - Higher National Diploma (equivalent to 2 years at University)

10.3 Currently, this establishment is regarded as adequate for the Council's needs in ensuring that it meets the requirements of the Accounts and Audit Regulations. However, there will often be significant changes affecting either what the Council does or how it arranges delivery to fulfil its statutory obligations. The impact on the Audit & Assurance function of such changes will be reviewed, each year, so that Members can assess the adequacy of its resource needs.

10.4 Staff training (both induction and professional) will continue to be a major factor in the Team's Business Plan in 2023/24. In particular, ensuring that the standards demanded by the PSIAs are maintained. The competency framework has been developed in the Audit & Assurance Manual so that all staff can be assessed periodically against a pre-defined standard and training needs identified. There is a training plan that is linked to both performance appraisals and the Team's own development needs. The professional training that has been proposed for inclusion in the Finance & Customer Services Department's training plan is as follows:

Name	Professional Training	2023/24 Commitment
Colin Ferguson	Certified Professional Development via CIPFA and IIA seminars	4 days
Chris O'Halloran	Certified Professional	4 days

	Development via CIPFA and IIA seminars	
Matthew Ramsden	AAT	50 days

10.5 A resource calculation was undertaken to determine the number of days available for the various types of audit work. The resource calculation is shown below, with 2022/23 figures for comparison.

Category	2023/24	2022/23
Total available days	2034	1867
Deduct: annual leave, sickness & bank holidays.	(330)	(311)
Deduct: non-productive time (management meetings, team meetings, attendance at external meetings, training, planning etc.)	(278)	(265)
Deduct: non-audit time (counter fraud, insurance/risk, financial support etc.)	(688)	(557)
Days available for Audit & Assurance reviews	738	734

10.6 The days available for Audit & Assurance reviews have been allocated to the priority 1, 2, and 3 and consultancy audit planning levels (see section 5.2, and 5.3 above) for the following corporate and departmental areas (See Appendix 2).