



NEWCASTLE·UNDER·LYME

BOROUGH COUNCIL

Newcastle under Lyme Borough Council Internal Audit Services

STRATEGY 2013 TO 2016

1. INTRODUCTION

- 1.1 This document outlines the strategy for Internal Audit for 2013 to 2016.
- 1.2 It consolidates and develops previous internal strategies.
- 1.3 The strategy will be reviewed annually as part of the Internal Audit Reporting Protocol.

2. BACKGROUND – THE COUNCIL

- 2.1 Newcastle under Lyme Borough Council aims to deliver excellent, sustainable services to its communities
- 2.2 To assist in the delivery of this aim there are four defined areas of priority:
 - **Creating a Clean, Safe and Sustainable Borough.**
 - **Creating a Borough of Opportunity.**
 - **Creating a Healthy and Active Community.**
 - **Becoming a Co-operative Council which delivers high quality, community-driven services.**
- 2.3 To endorse the aim and priorities Newcastle under Lyme Borough Council continues to strive to meet the core values of **equalities, best value, fairness, openness, honesty, community and partnership involvement and value added by staff**. Any activities of the Council and the operation of the Members and employees in their duties are underpinned by these core values.
- 2.4 The organisation continues to strive for excellence which will improve overall performance of the authority.
- 2.5 The work of Internal Audit aims to contribute to and assist management with the achievement of these aims.

3. BACKGROUND – INTERNAL AUDIT SERVICES

- 3.1 Corporate strategies and priorities significantly influence the environment within which Internal Audit operates.
- 3.2 Other external influences affecting the service include Standards, Ethics, Corporate Governance and other legislation affecting local government.
- 3.3 Previously Internal Audit's Best Value review identified that there was a need for the provision of IT audit and due to the increased technology within the Council it had become an integral part of audit work. The retention or training of such skills internally would not be cost effective. As a result since the review external specialists have been employed to cover IT audits.

4. INTERNAL AUDIT STRATEGY

- 4.1 The overall strategy of Internal Audit is:

“To deliver a risk-based audit plan in a professional manner, to provide the organisation with an opinion on the level of assurance it can place upon the internal control environment, and to make the recommendations to improve it”.

- 4.2 The Audit Strategy for 2013 to 16 follows the Council's strategies, priorities and values. However in addition to supporting these Internal Audit needs to keep ahead of changes and develop to ensure the continued delivery of a quality, appropriate and valued service for all its customers. The remainder of this strategy sets out our main objectives for 2013 to 16 but will be reviewed and rolled forward annually.
- 4.3 The Terms of Reference of Internal Audit are expanded upon within the Strategy.

5. STATUTORY BASIS FOR INTERNAL AUDIT – OUR ROLE

- 5.1 The requirement for an Internal Audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. Regulation 6 of the Accounts and Audit Regulations 2011 more specifically requires that “a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.
- 5.2 Internal Audit undertakes the statutory Section 151 audit for the Executive Director (Resources and Support Services) in liaison with the External Auditors. It is an assurance function that primarily provides an objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources (The control environment includes all authority operations, resources, services and its responsibilities to other bodies).
- 5.3 Internal Audit plays a key role in ensuring that the Corporate Governance arrangements within the organisation are sound and provides assurance on the robustness of these

arrangements and forms an important part in the production of the Authority's Annual Governance Statement.

- 5.4 Internal audit will produce a risk based audit plan that takes into account the requirement to produce an annual internal audit opinion and the assurance framework. The audit plan is fixed for a period of no longer than one year and it takes into account the requirements of External Audit and other Inspection Agencies. The compilation of the plan has included consultation with service areas and the use of a risk assessment framework to ensure resources are allocated via an appropriate and justifiable method. The plan will be reviewed on a quarterly basis to ensure that any significant changes can be identified and addressed.

6. PROFESSIONAL STANDARDS – HOW WE WORK

- 6.1 Internal Audit will adhere to the newly defined Public Sector Internal Audit Standards (PSIAS) which replace the CIPFA Code of Practice for Internal Audit in Local Government with effect from 1 April 2013. Staff are also expected to comply with any other appropriate professional standards.

- 6.2 Internal Audit has well developed procedures and quality standards based upon those set out in CIPFA's Audit Manual for Local Government, these being;

- To objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources within the Council so contributing to the pursuit of value for money.
- To ensure that appropriate staff are professionally trained and developed and work to the professional standards expected by their professional bodies.

- 6.3 The Audit Manager is responsible for delivering the Internal Audit Service in accordance with the Terms of Reference. To ensure that this can be achieved there are appropriate arrangements for:

- Determining and planning the work to be carried out (i.e. an audit plan based on an assessment of the risk),
- Providing the resources required to deliver the audit plan (principally the level of staff and external input), the necessary skills (both in general audit and technical areas) and support facilities (such as IT facilities, equipment and management and administration processes)

- 6.4 The Internal Audit Service will be delivered on the basis of an Annual Audit Plan and this is attached as Appendix A. The plan sets out the number of person-days required for Internal Audit to adequately review the areas involved. The overriding objective of this approach is to ensure that Internal Audit is able to present an opinion on the control environment by directing adequate resources based on the relative risks of the operations, resources and services involved using a formal risk assessment process. The risk assessment process takes account of a range of strategic, corporate, service and operational risks including those identified through the Risk Management process with External Audit and the views of senior management on these issues. Where resources available are not considered by the Audit Manager to be adequate for such an opinion to be provided, this will be reported to the Council.

- 6.5 The Plan balances the following requirements:

- The need to ensure the Audit Plan is completed to a good practice level (currently at least 90%)
 - The need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control (on which the External Audit place reliance),
 - The need to appropriately review other strategic and operational arrangements,
 - The need to have uncommitted time available to deal with unplanned issues which may need to be investigated, and
 - To enable positive timely input to assist corporate and service developments.
- 6.6 Progress against the audit plan will be kept under review by the Audit Manager in liaison with the Executive Director (Resources and Support Services). Where there is a need for material changes to the plan (i.e. affecting over 20% of planned assignments) a revised plan will be resubmitted to the Audit and Risk Committee for approval. The Audit and Risk Committee will also be advised of performance against the plan and on relevant performance indicators on an annual basis

7. QUALITY

- 7.1 To deliver a professional, cost effective and competent service which meets customer requirements.
- 7.2 To monitor and review the quality measures and performance targets identified and ensure that they are meaningful to customers.

8. HOW WE MAINTAIN OUR INDEPENDENCE

- 8.1 Internal Audit has no executive role, nor does it have responsibility for the development, implementation or operation of systems.
- 8.2 The Audit Manager shall have right of access to the s151 Officer (Executive Director – Resources and Support Services) but has the right to report directly to the Chief Executive (Head of the Paid Service), Monitoring Officer, Leader of the Council or the External Auditor where necessary.
- 8.3 The Audit Manager shall be entitled to control the content of all written reports.
- 8.4 Within the Council responsibility for internal control rests fully with management who should ensure appropriate and adequate arrangements exist without reliance on the Council's Internal Audit Service. In order to preserve the objectivity and impartiality of the internal auditor's professional judgement, responsibility for implementing audit recommendations in accordance with the timetable they have agreed rests with management.
- 8.5 Internal Audit is responsible to the Executive Director Resources and Support Services for contributing to the delivery of the statutory financial responsibilities, however, Internal Audit remains independent in its planning and operation. The Audit Manager does however have responsibility for Information Security/Assurance throughout the organisation and the section has one member of the team whose role is split 50/50 between Internal Audit and Information Assurance. Given that Information Security/Assurance is one of a number of key objectives examined as part of all audit reviews it is not felt that this dual role provides any conflict with maintaining our independence

- 8.6 Internal Audit has rights of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities.

9. WORKING WITH CUSTOMERS

- 9.1 To provide a responsive, professional and informed audit service, which demonstrates value for money.
- 9.2 To be familiar and proactive to all service areas and to recognise their objectives, requirements and limitations.
- 9.3 Promoting **equalities, best value, fairness, openness, honesty, involvement and value added** with all of our customers and colleagues
- 9.4 Continued consultation during audits, post audit questionnaires and the annual customer survey.

10. STRIVING TO ACHIEVE EXCELLENCE

- 10.1 The section will continually review its working methods and practices to ensure continuous improvement in its service delivery. This will include optimisation of available and productive time.
- 10.2 To continue to ensure that all audits undertaken review how service areas are demonstrating continuous improvement.
- 10.3 To support corporate initiatives such as transformation, workforce development, partnership working and the climate change/carbon reduction agenda.
- 10.4 To review arrangements for the performance management framework.

11. AUDIT OF AND USE OF TECHNOLOGY

- 11.1 To develop the effective use of technology by Internal Audit in the delivery of the service and to meet the e-government agenda.
- 11.2 To review the provision of computer audit services to ensure that these still meet the needs of the Internal Audit Section.

12. DEVELOPING OUR EMPLOYEES

- 12.1 To ensure that employee appraisals occur annually, including the development of personal action plans.
- 12.2 To encourage and support professional continuous personal development.
- 12.3 To develop mechanisms to enable the sharing of training experiences to encourage development of employees and value for money from training.
- 12.4 To ensure effective communications within the team at all levels.

- 12.5 To ensure a team of appropriately skilled and resourced staff, effectively managed and fully involved in the operation of the unit.

13. **DEVELOPING THE SERVICE**

- 13.1 To review and assess the Audit Service against the new requirements as set out in the Public Sector Internal Audit Standards (PSIAS) which replace the CIPFA Code of Audit Practice with effect from 1 April 2013.
- 13.2 To ensure the Corporate Governance arrangements of the Council (that reflects Annual Governance Statement).
- 13.3 To continue to identify relevant training for Members in relation to their role on the Audit and Risk Committee.
- 13.4 To review the role of audit to ascertain ways in which it can add further value to the organisation
- 13.5 Investigate new/ alternative ways of service delivery based on customer feedback and practices in other local authorities and service providers.
- 13.6 Review of practices, procedures and standard documentation
- 13.7 Continued development of customer feedback and consultation via feedback from individual audits and annual customer surveys.
- 13.8 Review and further develop the audit planning and control environment time recording and planning system, especially the use of management information.