

## **INTERNAL AUDIT STRATEGY**

### **1. Purpose of Internal Audit**

#### **1.1 (Definition set out in Global Internal Audit Standards)**

'Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.'

#### **1.2 The full role/responsibility and authority given to the Council's Internal Audit team are set out in the Internal Audit Charter.**

#### **1.3 An effective Internal Audit Service should be viewed by senior management/members/Governance Committee as providing the required level of assurance for the Council, covering both strategic risk and operational risks that will impact on effective delivery of the Council Strategy and key priorities.**

#### **1.4 The work of Internal Audit forms the basis of the annual opinion given by the Audit Manager on the effectiveness of the Council's governance, risk management and internal control framework. The work of the Council's Internal Audit Service is regulated by professional standards (Global Internal Audit Standards in the Public Sector) which set out quality standards and methods that should be applied in carrying out audit work. At an operational level the Audit Team has an Audit Manual which sets out in detail how work is to be undertaken, recorded, quality controlled and managed.**

### **2. Long-term Vision/Objectives for the Council's Audit Team**

#### **2.1 Although the team achieved the 'Fully Conforms' rating from our most recent external review (2023) which checked our compliance with professional standards, our aim is to continue to strive to be fully compliant.**

#### **2.2 In 2024 the professional standards/practices for Internal Audit were revised, they are now known as the Global Internal Audit Standards (GIAS) which come into effect 1<sup>st</sup> April 2025. Although there are no fundamental changes, there are some that impact on the governance of Internal Audit, as well as some more operational aspects. The Internal Audit Charter has been amended to reflect the changes in governance arrangements, we are currently working through the more operational changes so that they will be in place for the beginning of the financial year.**

2.3 In order to continue to meet the needs/expectations of senior managers/members we need to be alert to changes both within, and external to the Council that could present a new risk/change in risk to the Council achieving its strategic goals and being able to do this effectively. In order to do this, we will: -

- Undertake continuous risk assessment, to ensure that the Audit Plan of work reflects the needs of senior managers and members and current risk profile of the Council.
- We will also respond to requests for advice/audit work timely so that needs of clients are met when required.
- Have an appropriate balance of assurance work to advisory work.

### **3. Audit Planning and Risk Assessment**

3.1 The process of putting the plan together is extensive in terms of the documents and people who are consulted. The following identifies the key drivers: -

- a) The views of stakeholders i.e. Executive Directors, Service Directors, Corporate Board, the Executive, and Governance Committee are key to identifying priorities for the team.
- b) The Council Strategy is reviewed to ensure that audit resources are focussed to support the delivery of Council objectives.
- c) Risk registers are reviewed to ensure that key risks are considered when preparing the plan of audit work.
- d) Results of previous audit, inspection, and scrutiny work, by internal teams and external agencies (including the annual reports from External Audit) are considered.

3.2 The Audit Plan should address the key risks faced by the Council as well as being able to give assurance that key services and operations are being undertaken effectively, in line with legislation, and comply with internal policies and procedures. The work programme is based on levels of risk, there are 5 categories of risk used (very high/high/medium/low and very low), which are then used to determine frequency of coverage, number of audit days allocated and focus for the review. The review of audit risk is not a one-off exercise each year but is continuous as new risks emerge or scale of risk changes.

3.3 The following are taken into account as part of the risk assessment: -

- (a) Content of risk register/any other service risk self-assessments.
- (b) Scale of system, and processes/volume and value of transactions, and size of the budget.

- (c) Potential for fraud and corruption.
- (d) Inherent risk – complexity/degree of change/instability/sensitivity and confidentiality of information.
- (e) Internal Audit's knowledge of the control environment based on previous audit work/other reviews and inspections.
- (f) Time span since the previous audit.

#### **4. Audit Assurance**

4.1 There are a number of key elements to the audit process that ensure the output is fit for purpose: -

- (a) Consultation takes place at various stages of each audit with the service under review (terms of reference, rough draft report and formal draft report with action plans that are discussed and agreed).
- (b) Audits with a less than Reasonable Assurance opinion are followed up, to ensure that agreed actions are implemented (method and approach to follow up work varies depending on the nature of the issues identified in the original audit).
- (c) All audit work is supervised/reviewed and signed off at key stages of the process, this is to ensure the scoping is appropriate and to check the accuracy, completeness and quality of the work undertaken (as per the Audit Manual standards).
- (d) An external review of the Internal Audit Team is required every five years to ensure the team complies with the professional standards and practices of Internal Audit.

4.2 The key focus of work undertaken by Internal Audit is to identify and provide remedial action for weaknesses in the governance, risk management and internal control frameworks. Weaknesses identified are categorised according to their severity (fundamental, significant, moderate, and minor). An assessment is then undertaken of the overall control effectiveness/weaknesses identified to give an overall audit opinion on the area being audited.

4.3 Taken together, the above provides a sound basis for the Audit Manager to provide an annual opinion on the Council's governance, risk management and internal control frameworks.

#### **5. Audit Team Resourcing and Performance**

5.1 The Internal Audit Team consists of 5 members, the Audit Manager, a Principal Auditor, two Senior Auditors, and an Auditor post. Benchmarking shows this level of resource is reasonable for the size of West Berkshire Council.

- 5.2 The Audit Plan scheduling of work should not be restricted by the level of resource available to undertake the work but planned, taking into account the level of risk. Where the Audit Manager has concerns over the level of audit resource this would be formally flagged up with senior officers and members as part of submission of the draft Audit Plan for approval and progress monitoring reports. No such concerns are being raised for the Audit Plan that has been set out for 2025/26. The number of days on the three-year rolling plan of audit work is in line with the level of resource available.

### **6. Measures of Performance**

- 6.1 The Internal Audit Team has an In-Service quarterly reportable target to achieve 80% productivity of the Audit Plan. This has been a target for quite a few years, the Audit Manager considers it remains a reasonable target, it is not easy to achieve nor one that over stretches the team. The reasonableness of the target also factors in that the calculation used for determining the number of productive days per team member is set at the higher end of days available when it has been benchmarked.
- 6.2 The Audit Service should have a corporate performance measure to be able to demonstrate progress against the audit plan. There are however, other measures more of a qualitative assessment that are as equally important because of the nature of audit work, these other performance factors should not be put at risk because of the need to turnover audit work more quickly due to a more stringent corporate target.

### **7. Quality and Service Improvement Programme**

- 7.1 The Audit Manager continuously assesses the quality of audit output as part of the review and sign-off of all audit work. Regular team meetings also cover discussion of any areas where improvement could be made or a change in process is required. This ongoing assessment results in an annual improvement programme being established, setting out what we aim to improve together with timeframes. Set out below are some specific areas for development of the team which are included in the Quality and Service Improvement Programme for 2025/26: -
- (a) With the implementation of the GIAS from 1<sup>st</sup> April, there will be some changes required to the Audit Team's working practices. The Audit Manager needs to identify all required changes and ensure that these are reflected in the team's processes, Audit Manual and the team are fully briefed on the required changes.
  - (b) Promote the potential for the Audit Team to carry out a greater level of advisory work, this may be for system changes/development, it may also be to assist with external inspection preparation, although we are not experts in other professions such as social care, we can

advise on processes/controls to manage and monitor the provision of these professional services.

- (c) Carry out an exercise to liaise with service managers to gain a fuller picture of second lines of defence, so that these can be incorporated into the Assurance Map maintained by Internal Audit and considered as part of audit planning/placing reliance on second lines of defence.
- (d) As changes in technology improve the way the Council provides services as well how they are managed and monitored, this also has an impact on the skills and knowledge the Audit Team require to be able to audit all of the Council's operations and functions. In order to ensure we adapt our approach to audits to take into account changes in technology we need to be mindful of emerging technology, and plans to utilise these across Council services, as well assessing how we need to approach audit work.

(Drafted February 2025)