

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).

Strategic Objectives

The Strategic Objectives of the Internal Audit Service are:

- To strengthen the Council's ability to create, protect, and sustain value by providing independent, risk-based, and objective assurance, advice, insight, and foresight.
- Fulfilment of the internal audit mandate (contained within the Internal Audit Charter)
- 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 Global Internal Audit Standards, subject to the interpretations and additional requirements set out in the Application Note of the Standards in the UK Public Sector, and the Code of Practice for the Governance of Internal Audit in UK Local Government.
- Deliver a plan of assurance audit engagements, which are sufficient to publish a full 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 strengthen the Council's ability to create, protect, and sustain value by providing independent, risk-based, and objective assurance, advice, insight, and foresight. 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.

Internal Audit Charter

The Internal Audit Charter establishes the internal audit function's mandate, the position of Internal Audit within the organisation, the Audit Manager's functional reporting relationship with the Governance and Audit Committee, wider reporting relationships, rights of access, scope of work, types of services, and other specifications.

It also states how we deliver audit services in accordance with the Global Internal Audit Standards (Standards), subject to the interpretations and additional requirements set out in the Application Note of the Standards in the UK Public Sector (Application Note), and the Code of Practice for the Governance of Internal Audit in UK Local Government (Code). Through compliance with these standards, all members of the section adhere to the Ethics and Professionalism requirements of the Standards.

The Internal Audit Plan

Purpose

Aligned to the overall purpose of internal audit, as set out within the 'vision and mission', we assist Cardiff Council in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's full control environment in respect of risk management, control and governance processes.

A primary requirement of the Audit Team is to deliver a plan of assurance audit engagements, which are sufficient to publish a full 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 advisory services, generally at the request of Management for independent insight, guidance and foresight on areas of control during process development / change, or where a need for support has been identified. 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. It is 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' 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 Audit Wales 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 Internal 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.

Resources

Financial Resource Management

The Audit Manager will develop a budget that enables the successful implementation of the internal audit strategy and achievement of the plan. The approach to financial resource management is as follows.

- The Audit Manager will consider the financial resources required to deliver the internal audit strategy and achievement of the plan on an ongoing basis.
- Approval of the audit budget will be made in line with corporate processes not by the Governance and Audit Committee. However, the Audit Manager will communicate the impact of insufficient resources to the Governance and Audit Committee and senior management promptly.
- The Audit Manager will manage the day-to-day activities of the internal audit function effectively and efficiently, in alignment with the budget and the controllable budget position will be reported to the Governance and Audit Committee in an annual report.
- The Audit Manager will ensure that audit staff have an appropriate combination of training and supervision, in accordance with the training plan and quality assurance and improvement plan to deliver audit objectives effectively. In the event that there is insufficient knowledge and skills within the team to deliver any area of the audit plan, consideration will be given to buying in expertise to achieve the audit objectives.

Human Resource Management

The human resource strategy is centred on achieving the necessary resources to deliver the vision and mission, and to provide a full audit opinion each year. The Audit Manager determines the audit staff, skills, qualities and other attributes necessary. Any resource constraints will be communicated to senior management and the Governance and Audit Committee. The approach to human resource management is as follows.

- The Council's corporate policies and procedures are followed in all human resources processes
- Workforce planning arrangements for internal audit are included in the finance sections workforce plan and the directorate risk register and updated in accordance with corporate requirements. This includes a consideration of recruitment, retention, succession planning and supplementing the in-house resource where required by buying-in resources.
- As part of the CIPFA trainee scheme, there are arrangements for each trainee to spend one year in internal audit as part of their professional development.
- Post entry training applications can be submitted by auditors, will be considered by the audit manager, and decisions are made in finance management team (of which the Audit Manager is a member).
- On the job training and supervision arrangements are in place as part of the quality assurance and improvement programme.
- Review and learning points sheets are completed as part of quality assurance before draft reports are issued, and Post audit assessments are completed with feedback from the client, as well as the reviewer and the audit themselves on the effective delivery of the audit engagement. This provides an opportunity for internal auditors to receive constructive feedback from more experienced internal auditors in supervisory roles.
- A Training Plan is in place for all auditors, and personal reviews are used to identify any further training needs, informed by audit supervision processes, audit review and learning points documented, and associated post audit assessments on each engagement.

Use of Technology

Audit teams will make use of technology to enhance audit and investigative processes.

Digital solutions will support the testing and review of a greater volume of data and information and the avoidance of repetitive tasks. This will preserve time for interpretation at all stages and strategic and operational attention to matters of performance, governance, risk management and internal control.

Digital solutions will be used as appropriate for efficiency and effectiveness in processes, to support the best use of the limited staff resources available. However, the use of technology, and any automated processing will always be subject to audit verification and responsibility. Technical support and insight will be sought as appropriate from IT professionals on the potential that can be levered from technology.

There is a commitment to a managed increase in the use of technology at all four stages of audit engagement (planning, fieldwork, reporting and follow up).

- Automation – will be used for monitoring and reporting recommendations to officers and Members. A range of transactional reports have been developed that are run by auditors, and options for automation and exception reporting is a consideration.
- Data Analytics – Payroll and purchasing data analytics exercises are undertaken by the audit team. The service routinely participates in the National Fraud Initiative data matching activities and has procured wider data matching data sets for internal control and counter-fraud purposes. Advice and assurance will continue to be provided on Council use of data analytics, for instance within transactional finance. Associated outputs are reviewed and interrogated as part of audit reviews.
- Artificial Intelligence – is being introduced in accordance with corporate guidelines and best practice professional advisories.

Supporting Initiatives

To support delivery of the Strategic Objectives of the service:

- Training will be provided both within the teams and more widely across the Council. This will be targeted through the Internal Audit Training Plan and through training and awareness campaigns across the Council led by the audit service.
- The effective use of technology to enhance audit and investigative processes is a key initiative, as referred to in the 'use of technology' section.
- Networking and professional engagement will be used to share knowledge, ideas and experiences with our peers and professional advisors on the delivery and functioning of our audit and counter-fraud services.

Internal Audit Development

The quality assurance and improvement programme (QAIP) within the Internal 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 Standards, Application Note and Code.

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, the Audit Manager will report to the Governance and Audit Committee on Internal Audit Service performance and conformance with the Standards, Application Note and Code, 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 Standards, Application Note and Code.

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.