



**WOKINGHAM
BOROUGH COUNCIL**

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Internal Audit Strategy 2021-22

SHARED AUDIT AND INVESTIGATION SERVICE

2021/22 INTERNAL AUDIT STRATEGY

1. Introduction

- 1.1 The role of internal audit is defined by the CIPFA/IIA Public Sector Internal Audit Standards (PSIAS), April 2017:-

“Internal auditing is 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.”

- 1.2 Internal audit also supports the Deputy Chief Executive & Director of Resources and Assets (S151 Officer) in discharging his statutory duties. The following are two key pieces of legislation that internal audit supports the S151 Officer to comply with:-

- I. Section 151 of the Local Government Act 1972. The Director of Resources, as the council’s Section 151 Officer, is responsible under the Local Government Act for ensuring that there are arrangements in place for the proper administration of the authority’s financial affairs. The work of internal audit is an important source of information for the Director of Resources (S151 officer) in exercising his/her responsibility for financial administration. Reliance upon Internal Audit and their annual programme of work in reviewing the operation of systems of internal control and financial management is fundamental to the fulfilment of that responsibility.
- II. The Accounts and Audit Regulations (2015) state that: ‘A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

And that:

A relevant authority must undertake an effective internal audit¹ to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.

Each financial year, a relevant authority must:

- a) Conduct a review of the effectiveness of the system of internal control required by regulation 3; and*
- b) Prepare an annual governance statement.*

¹ ‘Effective internal audit’ is defined by the Department for Communities and Local Government as compliance with the Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note for the PSIAS.

- 1.3 The internal audit and investigation plan provides the mechanism through which the Chief Audit Executive can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
- 1.4 The purpose of Internal Audit is to provide an independent and objective opinion to the Council on the level to which the internal control environment supports and promotes the achievement of the Council's objectives. Internal audit contributes to the Council achieving its key priorities by helping to promote a secure and robust internal control environment, which enables a focus on achieving the key priorities. It also supports the S151 Officer in discharging their statutory duties.

Scope and Responsibilities of Internal Audit

- 1.5 The scope and responsibilities relating to Internal Audit are specified in the Constitution as well as in the Internal Audit Charter, detailing the Terms of Reference for Internal Audit activity and complies with the PSIAS, and an Audit Protocol, outlining the approach to service delivery. The Audit Charter was approved by the Audit Committee in February 2020 and there have been no significant changes.
- 1.6 The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing in the PSIAS. The Chief Audit Executive must periodically review the Internal Audit Charter and present it to senior management and the Board (Audit Committee) for approval.
- 1.7 The Internal Audit Charter establishes the internal audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 1.8 This document sets out the proposed Strategy to undertaking the programme of audit work for the 2021/22 financial year. It is intended to demonstrate how the Shared Audit and Investigation Service (SAIS) supports the overall aims and objectives of the Authority whilst maintaining its professional standards. The Plan takes account of the proposed role, objectives and approach to the service delivery of the Internal Audit and Investigation Plan.

2. Audit Planning Process 2021-22

- 2.1 The purpose of the audit planning process is to ensure that resources are appropriately focused in order to provide maximum audit coverage.

- 2.2 The PSIAS set out the standards for internal audit and include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'. Within the Council, the Audit Committee undertakes the key duties of the 'Board' laid out in the PSIAS.
- 2.3 The PSIAS Performance Standard 2010 - Planning states that: *'The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'*
- 2.4 The proposed 2021/22 Internal Audit Strategy is intended to demonstrate how the SAIS supports the overall aims and objectives of the Council. However, these have been unprecedented times as the Council has reacted to the Covid-19 pandemic, the Council's changing risk profiles, with the significant impact on the way Council staff work. This has included Audit and Investigation activity, the nature of the work we are able to carry out and the extent to which we are able to deliver our planned audit activities as Council staff respond to the pandemic.
- 2.5 The situation remains uncertain and it is important for the Shared Audit and Investigation team to continue to remain agile at this time, enable flexibility and be a responsive audit function during this period. As such, it is proposed that for 2021/22, we will move to a quarterly planning cycle to ensure that we can be forward thinking and reactive to potential further uncertainties. The work programme will be specific as to what audit can be undertaken to contribute to the Chief Audit Executive's Internal Audit Opinion that is required to be produced under the Public Sector Internal Audit Standards (2017).
- 2.6 The Quarterly Programme of work has followed a similar process that would be used to prepare the annual Audit and Investigation Plan, including management's assessment of risk and our own risk assessment of the Council's major systems and other auditable areas and work undertaken to date. It has involved consultation with Corporate Leadership Team, the review of risk registers and external guidance where appropriate, comparison with other authorities, and our knowledge of the impact of the pandemic on this organisation and the delivery of its services.
- 2.7 For 2021/22 the Strategy will be to focus efforts / cost on only those audits that feed directly into:
- other regulated reporting but only the minimum effort necessary to deliver compliance, including the Annual Governance Statement (AGS).
 - facilitating the provision of an overall opinion each year for the Audit Committee on the operation of the Council's internal control environment, risk management arrangements and governance framework.
 - other strategic & tactical priorities which are at high risk from changes in customer needs, funding, processes or resourcing.
 - the 2021/22 Audit and Investigation Quarterly Work Programmes will take account of the Council's risk profile/appetite and be aligned with the Council's objectives and Corporate Risk Register (CRR) and Operational Risk Registers (ORRs), as well as the Annual Governance Statement.

- the 2021/22 Quarterly Work Plans will include reviews of systems/processes that may have been affected as a result of the Covid-19 pandemic.
- provision for investigation work, comprising reactive investigations and proactive fraud investigation exercises will be made within the Quarterly Work Plans.

2.8 As we are going through a period of uncertainty the Quarterly Work Programmes aim to enable the team to be agile and flexible in order to respond to changes in priorities, the need to respond to sudden events, resourcing of the SAIS team and availability of auditees who may need to respond to the pandemic within their services. Any changes made to the 2021/22 Quarterly Work Programmes during the year will be reported to the S151 Officer and Assistant Director Finance (Deputy S151 Officer) as they arise.

2.9 Consultations are undertaken with the Deputy Chief Executive & Director of Resources and Assets (S151 Officer), Assistant Director Finance (Deputy S151 Officer), and Corporate Leadership Team whilst preparing the Quarterly Work Programmes, both in determining risk and any emerging issues and taking into account any specific requests for audits to be undertaken.

2.10 Internal Audit aims to develop an Integrated Internal Audit and Risk Management System to inform the annual Audit and Investigation Plans and provide feedback to the Risk Register regarding the findings of individual audits. This integration further influences both the nature of the audit work undertaken and the development of the CRR.

3. Resources

3.1 Risk assessment is used to inform the amount of staff resource dedicated to each area and the extent, frequency and depth of testing undertaken, with the high risk areas being examined more frequently. Annual allocations against individual audit areas have been deliberately flexed in recognition of the need to devote additional resources where new systems are being implemented.

3.2 However, during the period of the pandemic, pressures have been put on existing resources within the SAIS in responding to pandemic emerging events and on the availability of auditees due to them responding to events affecting their services. We will therefore continue to monitor the situation and will notify S151 Officer of any impact on the Quarterly Work Programmes, as they arise.

4. Reports to Audit Committee

- 4.1 A status report on internal audit work will be presented to the Committee on a regular basis. The purpose of these reports is to provide an update on the progress made against the delivery of the 2021/22 Quarterly Work Programmes. The report will provide details of the status of audits, i.e. those completed to date, at draft stage or work in progress with the assurance opinions given. The report will also provide a summary of internal audit performance, planning and resourcing issues.

5. Annual Assurance Report

- 5.1 A formal annual report to the Audit Committee, presenting the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control, will be published to enable it to be taken into account within the annual review of the effectiveness of the system of internal audit and in preparing the AGS. The format of the Chief Audit Executive's report will follow that set out in the PSIAS for Internal Audit and will include:

- an opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance;
- disclose any qualifications to that opinion, together with the reasons for qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- any issues considered by the Chief Audit Executive to be particularly relevant to the AGS;
- A comparison of work undertaken with that planned, with a summary of internal audit performance for the year; and
- Comment on compliance with the PSIAS and internal audit's quality assurance programme.

6. Conformance with Public Sector Internal Audit Standards

- 6.1 The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services. These include the need for risk-based audit plans to be developed and to receive input from management and the 'Board' (discharged by the Council's Audit Committee) on those plans.

- 6.2 Key, specific PSIAS provisions include:

PSIAS : 2010 - *"The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."*

PSIAS : 2450 – *"The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."*

- 6.3 The SAIS is designed to conform to the PSIAS. Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In 2018, the SAIS commissioned CIPFA to complete an external quality assessment of the SAIS against the PSIAS, Local Government Application Note and the International Professional Practices Framework.
- 6.4 This external assessment confirmed a positive outcome with the service achieving the highest category of assessment “Generally Conforms” with the Standards (out of 3 possible categories). A small number of recommendations were made to ensure full compliance with the Standards, plus a number of advisory points raised to assist the development of the Shared Service and the achievement of best practice going ahead. These have been actioned, or are being addressed on an on-going basis.
- 6.5 A self-assessment will be completed in 2021/22, to provide on-going assurance that the SAIS continues to comply with all aspects of the International Professional Practices Framework, PSIAS and Local Government Application Note.
- 6.6 Internal Audit Standards also require that any potential conflicts of interest that may impair the objectivity or independence of the team are disclosed. We are not aware of any relationships that may impair the objectivity or independence of the team.

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