



# BRISTOL INTERNAL AUDIT

## INTERNAL AUDIT STRATEGY 2020 - 2023

### **1. Introduction:**

- 1.1 The purpose of the Internal Audit Strategy is to enable the Internal Audit function (Internal Audit) to effectively prioritise its resources and focus its priorities on meeting the expectations of its stakeholders enhancing and protecting the Council's values by providing risk-based and objective assurance, advice and insight.
- 1.2 This Strategy contains some improvements and initiatives that will enable Internal Audit to provide value-added services and proactive strategic advice to the organisation in addition to the effective and efficient delivery of the annual audit plan.
- 1.3 This Strategy does not include fraud and corruption as there is a separate Counter Fraud and Anti-Corruption Strategy being developed.

### **2. Context:**

- 2.1 The Internal Audit Charter sets out the purpose, authority and responsibilities of the Council's Internal Audit team. This enables us to work independently ensuring that work is aligned to Council priorities and upholds and promotes the Council's values. As the demands on the Council continue to increase despite the reduction in central government funding we will support the organisation in effectively managing these challenges by working proactively with the Mayor, Directors, Members and Business Partners, sharing data, knowledge and expertise to help improve outcomes for our residents.
- 2.2 The strategy applies to Bristol City Council and its group of companies and any other partnership or commercial arrangements where the Council has control. The assumption is that the Council and its group of companies will continue to utilise the Bristol City Council Internal Audit Service. In other commercial arrangements, where the Council does not have full control, the Council and its partners will need to agree on the acceptable level of internal audit activity and the level of assurance required.
- 2.3 The requirements for an Internal Audit Service in local government are detailed in the Accounts and Audit Regulations 2018, which states that a relevant body must 'undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control'. The standards for proper practices in relation to internal audit are laid down in the Public Sector Internal Audit Standards.
- 2.4 The work of Internal Audit forms an essential part of the assurance framework in place which informs management when considering and compiling the Annual Governance Statement. The existence of Internal Audit, however, does not diminish

the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

### **3. Background:**

3.1 The Public Sector Internal Audit Standards (PSIAS) define Internal Audit 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.”

3.2 The Chief Audit Executive (Chief Internal Auditor) must deliver an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement (AGS). This opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

PSIASs require that Internal Audit must:

- evaluate the design, implementation and effectiveness of the organisation’s objectives, programmes and activities;
- evaluate the effectiveness and contribute to the improvement of risk management processes; and
- assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

3.3 A key driver for this Strategy is the acknowledgement that the Council’s control environment continues to change as the Council seeks to create more alternative service delivery models and leveraging technology to improve public service delivery. The use of alternative service delivery models including Council owned companies has resulted in the Council delivering key services through contracts including operating systems, procedures and processes outside the Council’s direct control. It is therefore critical that the Council has a robust Internal Audit Strategy in place that demonstrates how Internal Audit can support the Council and its group of companies in achieving the Council’s key priorities by maintaining effective risk management, internal control and governance arrangements.

3.4 Ultimately this Strategy will help Internal Audit to deliver a focussed assurance programme ensuring it remains proactive and forward looking. On implementation, the Strategy should help deliver a value adding assurance service to the Council by enhancing the arrangements for providing assurance to those charged with governance, the Audit Committee and management.

### **4. Our Strategic Approach:**

#### **4.1 Our Deliverables**

We will:

- Be 'fit for purpose' now and for the future with appropriate capacity and skills to provide services that will enable the delivery of the Council's Corporate Strategy.
- Deliver a robust assurance service that is aligned with the Council's strategic priorities and the highest risks to help increase public confidence and trust in Bristol Council and its Group of Companies. The key audit areas are:

Governance	Risk Management
Operational Processes	Performance and Delivery
Financial Systems	Programmes and Change Management
Grants	Group of Companies
Information Technology	Advisory
Consultancy	Covid-19 response and recovery

- Work with senior management to put in place management assurance arrangements that enable them to proactively review, assess and design optimal control frameworks to manage operational and transactional controls.
- *Support the Council's overall Covid19 recovery response ensuring that operating structures are resilient, sustainable and support good decision-making, risk management and communication.*
- Adopt audit policies, processes, procedures and systems that are enabling and dynamic to meet assurance needs of the business.
- Implement new audit management software, to improve our efficiency and effectiveness in audit planning, testing, and reporting activities thereby enhancing the credibility, quality and consistency of internal audit processes.
- Automate the process for following up and reporting the implementation of Agreed Management Actions which will simplify and speed the process as well as ensuring accountability, accuracy and consistency.
- *Implement a continuous monitoring and auditing methodology to enable management to continually review business processes for adherence to and deviations from intended levels of performance and effectiveness and internal audit to continually gather from processes data that supports auditing activities.*
- Increase the use of Data Analytics to improve our audit processes (scope and quality).
- Deliver assurance maps for the Council and Bristol Holdings which identify the main sources and types of assurance that support the mitigation of the strategic risks.
- *Introduce agile auditing methodologies to provide more rapid responses to changing business assurance needs.*
- Implement a Quality Assurance and Improvement Programme providing assurance to stakeholders that Internal Audit complies with the PSIAS and the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the role of the head of internal audit in public sector organisations.

## 4.2 Our Reporting

We will:

- Provide impactful reporting on audit findings and the implementation of Agreed Management Actions to the Audit Committee, Corporate Leadership Board (CLB) and management, consistent with agreed reporting protocols.
- Revise our report templates to enhance the quality of audit deliverables.
- Provide an annual opinion and report to the Audit Committee and CLB based on the agreed programme of audit work and other sources of assurance to support the preparation of the statutory AGS.
- Report on our performance and expected deliverables to CLB and Audit Committee as part of performance management arrangements.
- Request feedback on all audit work and undertake an annual survey with key stakeholders on our performance and report results and any action taken to the Audit Committee and CLB.
  - The annual survey with stakeholders will be undertaken in March so that the results can be reported as part of the annual opinion.
  - On-going survey following each audit will be issued to the Audit Client with each final report and its completion is a key part of the audit process.

### **4.3 Our Resourcing**

We will:

- Collectively possess the knowledge, skills, experience and other competencies that are required to deliver the audit plan and promote agile working and living the Council's values.
- Appoint a strategic partner who will support our core delivery arrangements and facilitate the transfer of knowledge through joint audit projects as well as providing training to enhance our commercial and specialist skills;
- Develop, nurture and sustain talent by supporting our staff's continuing professional development and professional qualification training.
- Build resilience within our Service by developing and implementing succession plans at all professional levels underpinned by the principle of growing our own through the apprenticeship and graduate trainee route.
- Work with senior management to explore opportunities for seconding staff in and out of Internal Audit.
- Explore and develop opportunities for wider and more flexible resourcing and intelligence sharing with other assurance providers.
- Continue the co-sourcing arrangements for the delivery of IT audits and foster arrangements for knowledge sharing and transfer with the in-house internal audit team.
- Effectively collaborate with External Auditors and other review bodies working with the Council and its group of companies, across the three lines of defence.
- Explore opportunities for collaborative arrangements with other local authority Internal Audit teams to build resilience within our teams.
- Participate in initiatives by professional bodies and other Audit Network Groups to share best practice across our teams.

## **4.5 Profile**

We will:

- Embody the expected Bristol City Council behaviours and values – ensuring we are dedicated, we are curious, we show respect, we take ownership, we are collaborative and we act in the best interests of Bristol, setting an example for others.
- Ensure our work adds value by contributing to the vision and priorities of Bristol and focussing on areas of highest risk.
- Be responsive to the needs of our stakeholders ensuring that outcomes from our work are shared promptly using the most appropriate channel.
- Conform to the PSIAS Code of Ethics – Integrity, Objectivity, Confidentiality and Competency
- Have flexibility to reprioritise and undertake work considered to be high risk at short notice
- Effectively engage with all our key stakeholders and request regular feedback on our performance and engagement.
- Be proactive in suggesting meaningful improvements and risk assurance.

## **5. Getting our message across**

At the draft report stage of an audit, it is the responsibility of the Senior Audit Client to promptly identify Agreed Management Actions, with a Responsible Officer and defined time frame for delivery. It will be the responsibility of management to ensure that all agreed actions arising from an audit report are implemented in accordance with the timetable they have given. Internal Audit will seek evidence on the progress of actions relating to key findings from the Audit Client against this timetable and report this to the CLB and Audit Committee. Where information is not provided within agreed timeframes reports will be issued without that information and the relevant senior managers will attend CLB and Audit Committee to provide further assurance.

## **6. Facilitating our work**

To enable us to deliver a value add service we will foster collaborative working arrangements with our audit clients underpinned by our new client engagement model. The engagement with the responsible senior managers is crucial at all stages of the audit cycle particularly around:

- rolling audit planning,
- agreeing scope and terms of reference,
- cooperation and availability throughout the audit fieldwork,
- collaboration over the reporting and agreeing the necessary management actions,
- implementing the agreed actions in line with the agreed time scales,
- providing feedback on internal audit performance following completion of audits, and
- prioritising audit engagement to enable timely completion of audit activities.

## **8. Managing our performance**

We will manage our performance consistent with the Council's performance management framework. The following Key Performance Indicators will be monitored and reported on.

<b>Performance Indicator</b>	<b>Performance Target</b>
<i>Effectiveness</i> % of the audit plan achieved	90% of the annual audit plan completed
<i>Efficiency</i> % of audits completed within the agreed budget and timelines	90% of all audits undertaken completed within agreed budget and timeline.
<i>Efficiency</i> % of draft reports issued within of 10 days from end of fieldwork	90% of all draft reports issued.
<i>Efficiency</i> % of final reports issued within 5 days following receipt of management responses	95% of all final reports issued.
<i>Improvement</i> % of agreed management actions implemented timely	90% of all agreed management actions implemented within the agreed timeline.
<i>Value addition</i> % of stakeholders satisfied with audit outcomes and value	75% of surveyed stakeholder satisfied with audit performance and outcomes.

## 9. Our risks

We have identified the following risks that may impact on the delivery of this Strategy which we will manage effectively consistent with the Councils' risk management framework.

<b>No.</b>	<b>Risk Description</b>	<b>Risk Owner</b>
1.	Failure to deliver the annual audit plan	Deputy Chief internal Auditor
2.	Inability to cope with pace and change.	Chief Internal Auditor
3.	Failure to attract, recruit and retain top talent	Chief internal Auditor
4.	Failure to detect material weaknesses and problems	Deputy Chief internal Auditor
5.	Non-compliance with professional standards	Chief internal Auditor
6.	Loss of reputation	Chief Internal Auditor

## 10. Assurance Levels

The system of internal control will be assessed and given a level of assurance. The four levels of assurance will be as follows:

Assurance Level	Generic Description
<b>Substantial</b>	There are sound risk management, internal control and governance processes which are designed to achieve the service objectives, with key controls being consistently applied.
<b>Reasonable</b>	Whilst there is basically sound risk management, internal control and governance processes, there are some weaknesses which may put service objectives at risk.
<b>Limited</b>	There are weaknesses in the risk management, internal control and governance processes; putting service objectives at risk.
<b>No</b>	The risk management, internal control and governance processes are generally poor and as such service objectives are at significant risk.