



# BRISTOL INTERNAL AUDIT

## Appendix 3

### INTERNAL AUDIT STRATEGY

2023 - 2025

#### **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 Members, Corporate Leadership Board, Service Directors and Business Partners across the organisation, 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 (PSIAS). The PSAIS set out the ethical, attribute and performance standards for an effective Internal Audit service.
- 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 This Strategy aligns with the Public Sector Internal Audit Standards (PSIAS) which 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 The PSIAS also require the Chief Internal Auditor to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity which must include both internal and external assessments.

3.4 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.

3.5 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 effectively support the successful delivery of the Council's Corporate Strategy.
- Deliver a value adding service that is aligned with the Council's strategic priorities and the highest risks to help increase public confidence and trust in Bristol City Council and its partners including wholly owned companies and schools. The key audit areas are:

Governance	Risk Management
Operational Processes	Performance and Delivery
Financial Systems	Programmes and Change Management
Grants	Council Companies
Information Technology	Maintained Schools
Consultancy	Partnerships
Environmental, Social and Governance	Information Governance including Cyber Security

- 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 in delivering a balanced budget by ensuring that new operating structures are resilient, sustainable and support good decision-making, risk management and communication.
- Maximise the use of the Pentana Audit Management System modules to improve our efficiency and effectiveness in audit planning, testing, and reporting activities thereby enhancing the credibility, quality and consistency of internal audit processes.
- Fully integrate the process for following up and reporting the implementation of Agreed Management Actions into performance management system.
- Continuously 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.
- Maximise the opportunities brought by technology advancement through exploring the use of technologies such as Robotic Process Automation, Machine Learning, Artificial Intelligence and data analytics tools. This will help Internal Audit to work more quickly, accurately and efficiently.
- Continuously deliver assurance maps for the Council and its companies.

- Embed the use of agile methodologies across all activities to provide more rapid responses to changing business assurance needs.
- Maintain a Quality Assurance and Improvement Programme that provides assurance to stakeholders that Internal Audit complies with the PSIAS.

## **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.
- Improve agile reporting across all areas of activity.
- 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.
- Obtain feedback through an annual survey with key stakeholders on our performance and report results and any action taken to the Audit Committee and CLB.

## **4.3 Our Resourcing**

We will:

- Collectively possess the knowledge, skills, experience and other competencies that are required to deliver the audit mandate and promote agile working and living the Council's values.
- Continue to work with a strategic partner in supporting 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;
- Through the Council's staff performance management arrangement, develop, nurture and sustain talent by supporting our staff's continuing professional development and professional qualification training.
- Continue to 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.
- Formally engage 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.

- Strengthen our collaborative working arrangements with our External Auditors and other review bodies working with the Council and its group of companies, across the three lines of defence.
- Participate in initiatives by professional bodies and other Audit Network Groups to share best practice across our teams.
- Recognising the budget challenges faced by councils, explore opportunities for collaboration and partnership working with other neighbouring councils to build resilience within 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
- Use the Audit Client Engagement model to effectively engage with all our key stakeholders and obtain annual feedback on performance and engagement.
- Be proactive in suggesting meaningful improvements and risk assurance.
- Work as a critical friend and business partner in key programmes and projects.

#### **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 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 times 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.

Performance Indicator	Performance Target
<i>Effectiveness</i> % of the audit plan achieved	95% of the annual audit plan completed
<i>Efficiency</i> % of draft reports issued within of 10 days from end of fieldwork	95% 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 (Annual survey)	90% 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.

No.	Risk Description	Risk Owner
1.	Failure to deliver the agreed audit priorities	Deputy Chief internal Auditor
2.	Failure to attract, recruit and retain top talent	Chief internal Auditor
3.	Failure to detect material weaknesses and problems	Deputy Chief internal Auditor
4.	Non-compliance with professional standards	Chief internal Auditor

No.	Risk Description	Risk Owner
5.	Expectations Gap	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.