

1. INTRODUCTION

- 1.1 This strategy describes how the Internal Audit Service will be delivered to ensure that legal and management obligations are met as set out in the Internal Audit terms of reference.
- 1.2 The key objective of Swindon's Internal Audit Service is to provide a high quality and cost-effective internal audit service that meets the professional standards laid down in the CIPFA Code of Practice for Internal Audit in Local Government meeting CPA/CAA and Use of Resources expectations and the requirements of the Council's External Auditor.
- 1.3 This strategy will be reviewed and updated as appropriate and at least annually to meet any changing requirements or priorities.

2. SERVICE DELIVERY

- 2.1 The Internal Audit Service will continue to be delivered internally by the Internal Audit Section within the Chief Executive's Unit. Where internal resources are inadequate to deliver the annual plan, or there are not the required services available, external contractors may be employed to cover shortfalls in specific areas.
- 2.2 A continuing commitment to demonstrating that the in-house service represents a cost-effective means of providing a high quality and professional service includes benchmarking comparisons with other authorities, quality reviews and satisfaction surveys from clients and networking with other comparator authorities. Other key evidence will be available from initiatives such as the Comprehensive Performance Assessment, Use of Resources and the Council's External Auditor's annual review of Internal Audit.
- 2.3 There will be continued liaison with the Council's external auditors, to ensure that they can place reliance on the work of Internal Audit, with joint working where appropriate, so that the overall audit service for the Council is delivered as efficiently, effectively and economically as possible.
- 2.4 The Head of Internal Audit will submit periodic reports and a formal annual report to the Audit Committee, which will include an opinion on the overall adequacy, and effectiveness of the Council's internal control, risk management and corporate governance environment, and will draw attention to any issues which are considered relevant to the preparation of the Council's Annual Governance Statement.

3. ETHICS AND CONDUCT

3.1 To enhance the environment of trust between auditors and management, all staff involved in the delivery of the Internal Audit service should comply with the ethical standards contained in the Code of Practice for Internal Audit in Local Government in the UK 2006. Additionally, many Internal Audit staff are bound by the ethical codes of the professional bodies they are members of as well as being bound by the Council's own Code of Conduct. Fundamentally, the following ethical standards will be observed:

- Integrity
- Professional objectivity and independence when providing opinions, assessment and recommendations
- Competence and due professional care
- Confidentiality – Internal Audit staff will ensure that the information they receive is safeguarded from unauthorized release or disclosure unless there is a legal or professional requirement to do so.

4. AUDIT AND ASSURANCE WORK

4.1 The primary task of Internal Audit is to review the systems of risk management and internal control operating throughout the Council. This will be achieved predominately through adopting a risk-based approach to audit.

4.2 A risk based plan of audit work to be completed will be prepared annually. The plan will be based on the Corporate and Group Directorate risk registers, the requirements of the Council's section 151 Officer and through Internal Audit's own risk assessments. Audit plans will be agreed with Directors, the Corporate Board and the Audit Committee.

4.3 For each audit assignment within the annual audit plan, a notification, identifying the key risks to the achievement of the objectives and the expected controls in place to mitigate the risk, will be drafted and agreed with senior management. This will ensure that the scooping of the work maximizes the benefits for management in confirming the effectiveness of risk management arrangements.

4.4 The completion of each planned assignment will lead to individual reports to Service Managers, Directors and where appropriate Group Directors. These reports will contain an overall opinion on the risk to the Council by combining the audit opinion on the internal control arrangements and the materiality and impact of the system being examined. These opinions, together with other audit work, will assist the Head of Internal Audit in providing his overall opinion on the Council's internal control environment for inclusion in the Annual Governance Statement.

- 4.5 In addition to planned audit reviews, Internal Audit will advise on internal control implications of new systems being implemented across the Council and respond to requests for advice and assistance.

5. FRAUD AND IRREGULARITY

- 5.1 Managing the risk of fraud and corruption is the responsibility of management not Internal Audit's. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption to occur.
- 5.2 Investigation of fraud and corruption will be carried out in compliance with statutory requirements, and the Council's fraud response plan, by staff with the necessary skills to do so.
- 5.3 In addition to determining the extent of the fraud, attention will be given to the correction of any control failures to prevent the recurrence of the fraud.
- 5.4 As well as responding to incidents of fraud and corruption, Internal Audit staff will maintain and deliver a programme of pro-active fraud prevention and detection work. This will include:
- Testing high-risk system transactions to validate them as bona fide – work will be prioritised based on the Audit Commissions fraud checklists that cover high-risk systems.
 - Participating in national schemes to prevent and detect fraud such as the Audit Commission's National Fraud Initiative (NFI).
 - Raising the awareness of the potential for fraud and corruption across the Council.

6. RESOURCES AND SKILLS

- 6.1 In order to ensure an adequate and effective internal audit service is maintained, Internal Audit must have an adequate budget resource to maintain organisational independence and be appropriately staffed in terms of numbers and skills. The Head of Internal Audit is responsible for ensuring that resources and the relevant skills are in place within the audit team. Where resources available are felt to be insufficient, the Chief Executive, the Section 151 Officer and the Audit Committee will be informed.
- 6.2 As far as practicable, Internal Audit will not participate in the day-to-day operation of any systems.

- 6.3 The staffing structure of Internal Audit is divided into three teams. One of which deals with Chief Executive, Business Transformation (except Revenues and Benefits), Environment and Regeneration; the second deals with Children, Housing and Social Care and Revenues and Benefits; the third deals with IT issues.
- 6.4 Internal Audit staff comprise a mix of fully qualified accountants and auditors, other specialised professional staff, accounting technicians and other suitably qualified staff. This should ensure the appropriate skills and specialisms are available to enable proper completion of audit work. These include general audit skills in respect of reviews of internal control, risk, governance and appropriate specialists in areas such as computer audit and investigations of frauds.
- 6.5 Where audits require access to specialist expertise and knowledge that is not available within the audit team, the advice of specialist experts from within the Council, or occasionally externally, will be sought.
- 6.6 A continuous review of training and development required for all Internal Audit staff will be undertaken as part of the corporate appraisal process. Additionally, specific resource for training and development is earmarked in the annual audit plan. Training will take the form of support for professional examinations, courses, seminars and on the job training.

7 ALLOCATION OF RESOURCES

- 7.1 Allocation of resources will be facilitated through risk based annual audit planning as described above. In addition to audit and assurance work, the audit plan includes a 'contingency' allocation to allow flexibility for responsive work that could not have been foreseen at the time of planning. By its nature, fraud and irregularity work is unpredictable in terms of timing and extent. Other unplanned work may materialise during the year if the control environment changes or breaks down. Estimates are included in the annual audit plan for this demand led work based on previous years history of time required for such activity.

8 REPORTING, FOLLOW UP AND ESCALATION PROCEDURES

- 8.1 Following the completion of all audit assignments, an internal audit report will be issued containing an opinion on the control environment, identifying concerns and recommending actions for improvement and an overall assessment of risk to the Council.
- 8.2 All recommendations will be prioritised based on the level of risk exposure resulting from the identified control weakness.

- 8.3 The Service Manager, Director or relevant Group Director will be asked to provide a written response to each recommendation stating whether they agree and if so how they will implement the control required. The time scale for implementation will also be agreed.
- 8.4 Where significant recommendations are made, implementation of these will be followed up, normally within three to six months of issuing the report. Any significant recommendations either not accepted, or not implemented, will be brought to the attention of the Audit Committee, who may call the relevant manager to account for failure to correct the control environment.
- 8.5 The Head of Internal Audit routinely reports to the Audit Committee providing update reports and an annual report of Internal Audit activity and details of significant control issues identified by audit work. At least one full Internal Audit report will be presented to the Audit Committee meeting. This will be where the overall audit opinion is either 'Significant Risk' or 'Of Concern' where one has been issued, or one agreed with the Chair of the Audit Committee. The annual audit report provided by the Head of Internal Audit will include the required opinion on the risk management and control arrangements in place and as such is an essential assurance to management in making their Statement on Internal Control.

9 PERFORMANCE

- 9.1 A Business Plan is prepared each year that includes performance indicators around its delivery. These include targets around the percentage of completion of the audit plan, targets concerning client feedback in the form of customer feedback questionnaires and targets relating to the audit process itself.
- 9.2 The Accounts and Audit (Amendment) (England) Regulations 2006 requires the Council to complete an annual review of the effectiveness of its system of internal audit. This is completed by the Audit Committee and referred to in the Annual Governance Statement.
- 9.3 Additionally, the External Auditor provides a regular opinion on the adequacy and effectiveness of Internal Audit in their annual audit and inspection letter and arrangements are subject to review during CPA.
- 9.4 The Head of Internal Audit and the Principal Auditors undertake a system of supervision of work and review of audit files ensuring that each audit has been completed to the required standard.

10 LIAISON WITH OTHER AUDITORS

- 10.1 The Audit Commission are the Council's External Auditors for activity in 20007/08 onwards.
- 10.2 The External Auditor has a statutory duty to express an opinion on the Council's financial statements. In doing so, there is potential for duplication of work completed by Internal Audit particularly now that International Standards for Auditing require a more detailed understanding of systems. Wherever possible the Head of Internal Audit will seek to co-ordinate the work of Internal Audit with that of the External Auditor by sharing of plans and regular liaison meetings.
- 10.3 Completion of internal audit work to CIPFA standards should ensure that where Internal Audit have completed work in which the External Auditor has an interest, they are able to rely on it and not duplicate the work.
- 10.4 Internal Audit files and reports will be made available to the External Auditor where requested to minimise the need for additional scrutiny. The Head of Internal Audit will make arrangements with the External Auditor to receive details of studies completed and reports issued by them.

11 REVIEW

- 11.1 The Head of Internal Audit will be responsible for reviewing this strategy on at least an annual basis. The Head of Internal Audit will be responsible for notifying the Council of any requirements to update them to reflect new legislation, best practice/guidance and External Audit recommendations.
- 11.2 The Council's Audit Committee will be responsible for approving the strategy for Internal Audit.