

INTERNAL AUDIT STRATEGY

Document control			
Title	Internal Audit Strategy		
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Governance Group	Audit and Scrutiny Panel		
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Revision History			
Number	Originator	Date Review Commenced	Revision description/record of change
1.0	Ken Adamson	April 2018	Update and refresh of document
	Ken Adamson	May 2019	Updated to recognise the ongoing transformation and change within the Council
	Paula Hendry	August 2024	Update and refresh of document

Document Approvals			
Number	Governance Group	Date approval granted	Date approval to be requested (if document still draft)
1.0	Audit and Governance Panel	February 2015	
2.0	Audit and Scrutiny Panel	April 2018	
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4.0	Audit and Scrutiny Panel	October 2024	

Consultation Record (for most recent update)	
Status of document consulted upon	N/A
Stakeholders consulted/date	N/A

Strategic Alignment
The Internal Audit Strategy is a formal document that sets out Internal Audit's strategic objectives and outlines how these will be delivered.

Next review date	
Review Date	April 2026, then every 3 years thereafter

1. OUR AUDIT ENVIRONMENT

- 1.1 In this document, we set out our strategy for 2024-25 to 2026-27. This remains a very uncertain and challenging time for the Council and the local government sector generally and this strategy reflects how we intend to support the Council's senior management and elected members in responding to the challenges facing the Council.
- 1.2 The Council's strategic-level plan (*'The Plan for North Lanarkshire'*) and its associated Programme of Work to 2028 sets out the Council's strategic ambitions and those key activities designed to deliver against them and to address the challenges facing the people and communities of North Lanarkshire.
- 1.3 The Council continues to seek to achieve its ambitions against a backdrop of significant financial pressures, increasing demands for many key services and ever-changing expectations about how services will be delivered. These financial challenges mean that the Council will continue to face difficult decisions around financial sustainability and about which services to stop and/or reduce and significant ongoing pressure to ensure that those which remain are delivered in a cost-effective manner. The Council also needs to respond to the impacts on it and its communities of a range of Scottish and UK Government policies. Finally, external events including the ongoing cost of living crisis and the subdued performance of the UK and Scottish economies as well as posing immediate challenges to which the Council is responding, also create considerable additional longer term risks and uncertainties.
- 1.4 Our audit environment continues to evolve at a rapid pace. The Programme of Work to 2028 commits senior management to a challenging agenda which requires to be underpinned by sound leadership, effective financial management and robust governance arrangements. These arrangements will require to be supported by effective performance and risk management arrangements and an increased emphasis on project and programme management, service redesign, contract management, commissioning and contracting and how best to secure the benefits of new digital technology and transformation.
- 1.5 The Council, therefore, faces significant challenges balancing the day-to-day delivery of services with achieving its wider strategic priorities, whilst delivering efficiencies, driving service improvements and managing and delivering large scale transformational change.
- 1.6 In this context, the role of Internal Audit has never been more important. Our independence and commitment to high quality work will provide senior management and the Audit and Scrutiny Panel with appropriate assurance and insights into the use of public funds and on the adequacy and effectiveness of the Council's corporate governance, risk management and internal control arrangements.
- 1.7 Our aim is to add real value through our support to senior management and elected members and our wider influence as we focus on the issues of greatest priority and have the capacity and resources to support accountability and drive corporate and service improvement.

2. OUR STRATEGIC OBJECTIVES

- 2.1 In this environment, Internal Audit will need to continually reflect and evolve what it does and how it does it in order to ensure that it can continue to operate efficiently and effectively and to demonstrate relevance and value to the Council.
- 2.2 Our strategic aim is to provide a high quality and customer focused internal audit service which is responsive, flexible and consistent with best professional practice. We aim to concentrate on key areas of significance, utilise resources in an efficient and effective manner, and for Internal Audit to be seen by stakeholders as a value-adding function, offering meaningful insights and making a dynamic and significant contribution to the Council. We will do this by:
- supporting elected members and senior management in undertaking their respective roles by providing an independent, objective assurance and consulting activity designed to add value and improve the effectiveness of the Council's operations;
 - delivering an internal audit service which fulfils the role and responsibilities given to it formally by the Council as laid out in the Internal Audit Charter approved by the Audit and Scrutiny Panel, the Chief Executive and the Council's s95 officer;
 - providing an internal audit service consistent with best professional practice in accordance with the *Public Sector Internal Audit Standards* (PSIAS) and the associated *CIPFA Local Government Application Note* (LGAN);
 - helping to drive improvements in the Council's risk management, internal control, governance and service delivery arrangements in order to make a positive contribution to the overall management and operation of the authority; and
 - focusing our resources on providing assurance on the management of the Council's core governance processes, strategic priorities and key corporate risks.

3. DELIVERING OUR STRATEGY

Independence, Integrity and Objectivity

- 3.1 Although Internal Audit is a Service within the Council, independence, integrity and objectivity are essential attributes for us, not only in complying with best professional practice, but in ensuring that we can contribute most effectively to the Council's governance arrangements. We greatly value our independence, integrity and objectivity and are fully committed to demonstrating these attributes in all that we do.

Providing assurance and adding value

- 3.2 We will deliver our strategy through a range of assurance outputs for senior management and the Audit and Scrutiny Panel focused on cyclical coverage of core corporate governance processes, key strategic priorities and programmes of work, corporate risks and key financial systems.
- 3.3 Our work will include in-depth assessments of how well key risks, priorities, projects and programmes of work are being managed and by examining and reporting on the adequacy, efficiency and effectiveness of relevant management arrangements, we will add value by highlighting scope for improvements and providing those we audit with better insight into how they manage and use public money.
- 3.4 We will seek to contribute to the Council's achievement of best value and value for money by providing independent assurance on relevant management arrangements and by constantly being aware of the need to highlight where scope for improved efficiency may exist.

3. DELIVERING OUR STRATEGY

Stakeholder engagement

- 3.5 Recognising the importance of pro-active stakeholder engagement, we will continue to develop our approach in this area via our annual planning arrangements and introduction of formal audit closure meetings with Chief Officers, to discuss findings, issues and recommendations. By collaborating in this way, we will enhance audit effectiveness and foster a culture of transparency and trust.
- 3.6 We currently have a well-established planning methodology which includes consideration of a wide range of factors such as the relative scale, significance and complexity of systems; previous audit activity; horizon scanning; review of key corporate risks and the controls in place to mitigate these; and possible impact of any failures on the achievement of the Council's objectives, priorities and ambitions. However, we will continue to evolve our approach to audit planning through improved stakeholder engagement and collaboration.
- 3.7 A formal process of consultation with Chief Officers and their respective management teams will be undertaken in advance of preparation of the annual plan to capture, and thereafter consider, potential areas of risk and uncertainty, service developments or areas of concern more fully.

Securing influence through consulting and auditing with agility

- 3.8 We want Services to view Internal Audit as a valuable resource that can help them to achieve corporate and service objectives. We will seek, where appropriate and without compromising our primary function and independence, to become involved in relevant emerging issues or new systems or process development at an early stage and to provide advice and guidance to prevent problems or weaknesses from arising and to ensure effective and efficient use of Council resources.
- 3.9 We will explore auditing with agility as a mechanism to ensure that we are able to respond to the changing environment the Council is operating in and to enhance and protect organisational value.

Support for the Audit and Scrutiny Panel

- 3.10 We will seek to work closely with the Audit and Scrutiny Panel which takes evidence from Internal Audit reports and will continue to help the Panel discharge its responsibilities and to respond more quickly to emerging issues. We will develop an effective working relationship with the Convener of Audit and Scrutiny to help them shape the work of the Panel.
- 3.11 We will support and provide assistance to the Audit and Scrutiny Panel to undertake self-assessment against the '*CIPFA position statement on Audit Committees in Local Government (2022)*' and evaluate its effectiveness in discharging its duties. Aligned to this we will also facilitate the development and delivery of a training programme based on needs identified by the Panel.

Awareness of counter fraud arrangements

- 3.12 We will work with management to continually improve the Council's counter fraud arrangements and to ensure that key fraud risks are identified and appropriately managed. This will include awareness raising of the Counter Fraud Strategy.
- 3.13 We will respond appropriately, and in a timely manner, to relevant issues drawn to our attention by elected members, management and members of the public.

3. DELIVERING OUR STRATEGY

Resource requirements

3.14 Internal Audit services are expected to be provided by an in-house team during the period covered by this strategy. The Chief Officer (Audit and Risk) (as head of the function) will continue to annually assess the level and capacity of internal audit resources and will report to the Audit and Scrutiny Panel on the adequacy, or otherwise, of the resources available to them.

3.15 We have recently implemented an improved structure for the audit team and will review and monitor the effectiveness of this approach on an ongoing basis.

Developing our staff to make sure we have the right skills

3.16 The environment within which we and the Council are operating continues to change and this will need to be reflected in our staff. As well as continuing to invest in our core internal audit skills, we will continue to enhance the range of other skills within Internal Audit needed to focus our work on the key governance processes and strategic risks and priorities faced by the Council.

3.17 Investing in our staff is critical to our success. We want to embed a culture of continuous learning and development, whereby we help our staff to keep their skills at the desired level and develop the skills they need for the future. To achieve this, we need to support them to further develop their skills across relevant areas, including technological and methodological skills, digital skills, sector and cross-government knowledge and personal effectiveness skills.

3.18 The need for Internal Audit to adapt to the changing landscape while providing 'business as usual' assurance has been identified as a key development objective for all internal audit teams. Of specific focus at present, is the need to explore and make greater use of data analytics as an effective way to improve professional development of our staff. As such, a key focus over the period of this Strategy will be to embed the use of data analytics within our processes and outputs to enhance our performance, and inform and improve the quality of our findings and support to clients.

Delivering high performance

3.19 We will measure the success of this Strategy via our approved performance management framework (Appendix 1) against which we will report regularly. We will also continue to challenge ourselves to work as efficiently as possible by seeking to ensure that our own use of resources is cost-effective and to seek continuous improvements in our audit methodologies and other internal processes.

3.20 Our most recent (April 2024) independent External Quality Assurance Review (EQAR) of our compliance with the Public Sector Internal Audit Standards (PSIAS) confirmed we are fully compliant with all aspects of the detailed requirements of PSIAS. However, recommendations for continuous improvement were made and we will work to fully address these on a timely basis.

Appendix 1: Internal Audit performance framework

Category	Measure	Internal Audit management	Reported to Chief Executive and CMT	Reported to A&SP (Quarterly)	Reported to A&SP (Annual)
1. Delivery of Annual Plan	Percentage completion of agreed plan	X	X		X
2. Targeting	Percentage of key corporate risks and key financial systems over which assurance provided	X	X		X
3. LGBF - Efficiency	Cost of Internal Audit per £ million revenue budget	X			X
4. LGBF - Efficiency	% of productive hours delivered v Plan	X			X
5. Delivery / recommendations	Percentage implementation of agreed actions by implementation date (cumulative year to date)	X	X	X	X
6. Delivery / other	Number of significant irregularity / fraud investigations	X	X		X
7. Customer satisfaction results	Scores from customer satisfaction questionnaires (audit assignments) (cumulative year to date)	X	X	X	X
8. Customer satisfaction results	Scores from key stakeholders (CMT and A&SP) questionnaires (overall performance of the function)	X	X		X
9. Quality / standards	Reliance placed by External Audit on the work of Internal Audit	X	X		X
10. Quality/ standards	Quality review outcomes – EQAR or internal self-evaluation	X	X		X
11. Delivery of Annual Report	Annual opinion /report prepared by 31 May annually	X	X		X
12. Targeting	Approval by CMT and A&SP of strategy and annual plan by 31 May annually	X	X		X
Internal management performance indicators					
13. Efficiency	Actual v planned days on completed assignments	X			
14. Efficiency	Time between completion of fieldwork and draft reports being issued	X			
15. Efficiency	Time between draft reports and final reports being issued	X			