

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**AUDIT AND GOVERNANCE COMMITTEE – WEDNESDAY, 4 JUNE 2025**



Title of Report	AUDIT STRATEGY	
<b>Presented by</b>	Kerry Beavis Audit Manager	
<b>Background Papers</b>	<a href="#">Global Internal Audit Standards</a> <a href="#">CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector</a> <a href="#">CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government</a>	<b>Public Report:</b> Yes
<b>Financial Implications</b>	None arising from this report.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	None arising from this report.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	None arising from this report.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	<p>It is a requirement of the Global Internal Audit Standards (GIAS) for the Chief Audit Executive to develop and implement a strategy for the Internal Audit Service that supports the strategic priorities and success of the organisation and aligns with the expectations of the board, senior management, and other key stakeholders.</p> <p>Within its terms of reference, the Audit and Governance Committee has a clear role in relation to oversight of the Council's Internal Audit Service.</p>	
<b>Recommendations</b>	<b>THAT THE COMMITTEE APPROVES THE INTERNAL AUDIT STRATEGY 2025/26 – 2027/28.</b>	

## **1.0 BACKGROUND**

- 1.1 The report outlines a Strategy for the Internal Audit Service, detailing its purpose, mission, and vision. It underscores the Service's role in providing independent assurance, supporting the Council's priorities. The Strategy considers the organisational alignment of the Internal Audit Service, evaluates strengths, weaknesses, opportunities, and threats, and identifies the critical success factors, along with the initiatives, required to achieve them.

## **2.0 Internal Audit Strategy Introduction**

- 2.1 **Principle 9 (Plan Strategically) of the GIAS states that** "The Chief Audit Executive plans strategically to position the internal audit function to fulfil its mandate and achieve long-term success".

The mandate specifies the authority, role, and responsibilities of the internal audit function and is documented in the Internal Audit Charter. The mandate empowers the Internal Audit Service to provide both the Corporate Leadership Team and Audit and Governance Committee with objective assurance, advice, insight and foresight.

- 2.2 **Under Principle 9 of the GIAS, Standard 9.2. (Internal Audit Strategy) states that** "The Chief Audit Executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organisation and aligns with the expectations of the board (the Audit and Governance Committee), senior management (CLT), and other stakeholders".

"An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfilment of the internal audit mandate, including opportunities for internal auditors to develop their competencies, integrating technology for enhanced efficiency and effectiveness, and implementing initiatives to improve the internal audit function as a whole.

"The Chief Audit Executive must review the internal audit strategy with the board and senior management periodically".

To comply with GIAS in the UK Public Sector an Internal Audit Strategy has been developed for consideration by the Audit and Governance Committee. This is set out at Appendix 1 to the report.

## **2.3 Defining the Purpose, Mission and Vision**

Standard 9.2 - The Chief Audit Executive must develop a strategy including a vision, strategic objectives and supporting initiatives for the internal audit function. Defining the purpose, mission and vision are crucial elements of the Internal Audit Strategy, as they define the long-term aspirations, core functions, and underlying reason for the internal audit function's existence.

The Purpose of the Internal Audit Service, as set out in the Internal Audit Charter, is "to strengthen North West Leicestershire District Council's ability to create, protect, and sustain value by providing the Audit and Governance committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight, that meets rigorous professional standards".

The Strategy's Mission is "to protect and enhance organisational value through risk-based assurance and advice, supported by evidence".

The Strategy's Vision is "To be a trusted advisor and promoter for continuous improvement, helping the Council optimise efficiency, achieve goals and priorities, and stay resilient in the evolving public sector.

## **2.4 Organisational Alignment and Governance of internal Audit**

### **Standard 9.1 – Understanding Governance, Risk Management, and Control Processes**

It is important to gain a thorough understanding of the Council's purpose, objectives, plans and key performance indicators. By aligning internal audit work with the Council's direction and priorities, the Internal Audit Service can effectively support its success.

The governance of the Internal Audit Service, as outlined in the Internal Audit Charter (which includes the mandate), aligns with:

- the requirements of the GIAS,
- the CIPFA Application Note (a framework for internal audit practice in the UK public sector, when combined with the GIAS)
- the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government (which complements the GIAS from the perspective of the Audit Manager).

The charter details the independence, organisational position, reporting relationships (with the Corporate Leadership Team and the Audit and Governance Committee), and the role and responsibilities of the Audit Manager, all of which comply with these guidelines (in so far as permitted by the public sector).

To help understand governance risk management and control processes, the Audit Service:

- a) keeps abreast of the organisational context/landscape (e.g. local and national developments).
- b) regularly reviews the Council's corporate and strategic risks.
- c) keeps up to date with internal audit standards and guidance.

## **2.5 Stakeholder Engagement**

### **Standard 11.1 – Building Relationships and Communicating with Stakeholders**

The Internal Audit Service has various stakeholders. The main internal stakeholders are the Corporate Leadership Team and the Audit and Governance Committee. The Director of Resources (S151 Officer) (part of CLT) has the responsibility, through S151 and statutory duties, to ensure there is an adequate and effective system of internal audit. Other internal stakeholders are senior management and other providers of assurance, as well as the Internal Audit Team itself.

External stakeholders are mainly the Professional Bodies (CIPFA and IIA), External Auditor (Azets), and Government Bodies who require the Internal Audit Service to carry out specific pieces of work, predominately grant returns.

The Strategy includes an analysis of Stakeholder Expectations and the frequency of communication with the Internal Audit Service.

## **2.6 Internal Audit Maturity Analysis**

### **Standard 12.1 – Internal Quality Assessment**

To identify the key internal and external environments that are important to achieve the Strategy, the Internal Audit Service conducted an analysis of strengths, weaknesses, opportunities, and threats (SWOT) against the mission and critical success factors. This exercise grouped information into two main categories: Internal factors which include the strengths and weaknesses, and external factors which include opportunities and threats. Appendix B includes the output of the analysis. Further analysis of the maturity levels will be carried out during the year. This will ensure that the Internal Audit Service can plan to improve its capabilities, impact, and alignment with the Council's objectives and priorities, thereby increasing its value to the Council.

## **2.7 Skills, Competencies, and Capabilities**

### **Standard 10.2 – Human Resources Management**

39. An annual assessment of skills will be undertaken to ensure that any development needs are identified to ensure the Internal Audit Service has a well-rounded balance of knowledge, skills and attributes.

## **2.8 Primary Objectives and Critical Success Factors**

The primary strategic objectives of the Internal Audit Service (detailed in full in the Strategy) are:

- Independent Assurance
- Risk Management
- Compliance
- Operational Efficiency
- Strategic Support
- Continuous Improvement

These objectives align with the Service's purpose, mission, and vision to help achieve the Council's goals.

Critical success factors (CSFs) are specific elements or activities that are essential for the Internal Audit Service to achieve its purpose, mission, vision, and the primary strategic objectives of the Internal Audit Service. The key CSFs (detailed in the Strategy) are identified as:

- Management Support
- Independence and Objectivity
- Resources/ Skilled and Competent Staff
- Effective Communication and Collaboration
- Risk-based approach
- Continuous Improvement
- Alignment with Organisational Goals

Compliance with the GIAS in the UK Public Sector will significantly contribute to achieving the primary strategic objectives and critical success factors. An initial self-assessment of the Internal Audit Service against the GIAS in the UK Public Sector demonstrates a high level of compliance, with a few areas identified for improvement before an external assessment due December 2025.

## 2.9 Initiatives to support the achievement of the Critical Success Factors

Considering the operational framework of the Internal Audit Service within the Council, the evaluation against the GIAS in the UK Public Sector, and the insights derived from the previously detailed steps, **three key areas** have been identified for improvement to better achieve the Service's CSFs. These areas are specifically highlighted under the weaknesses, opportunities, and threats in the SWOT analysis.

### Management Support

Management support is crucial for the Internal Audit Service to be effective and impactful within the Council. When management actively endorses and supports internal audit activities, it sends a clear message about the importance of governance, risk management, and internal controls. This support helps to ensure that the findings and recommendations of internal audits are taken seriously and acted upon. It also fosters a culture of accountability and continuous improvement, where employees understand the value of internal audits and are more likely to cooperate and implement suggested changes. Furthermore, management backing provides the Internal Audit Service with the necessary resources and authority to perform their duties effectively, ultimately leading to enhanced performance and achievement of strategic objectives.

### Resources / Skilled and Competent Staff

Whilst minimum audit coverage is not stipulated, the Audit Manager, when assessing whether the available resources are adequate, must consider whether enough audit work can be undertaken to derive an annual year-end opinion on the overall adequacy of the Council's governance, risk and internal control environment.

The current structure of the Internal Audit Service is considered sufficient to achieve strategic objectives and provide an annual opinion (taking into account current demand from external sources). Therefore, it is important to maintain the current structure, as any reduction could affect the ability to meet these objectives.

### Continuous Improvement

In today's rapidly evolving business environment, it is essential for the Internal Audit Service to become more data-savvy and embrace innovations like artificial intelligence. Leveraging data analytics and advanced technologies enables auditors to analyse vast amounts of information quickly and accurately, uncovering insights that might be missed through traditional methods. Tools such as Microsoft Copilot can enhance audit processes by automating routine tasks, providing real-time data analysis, and offering predictive insights, which allows auditors to focus on more strategic activities. This not only improves the efficiency and effectiveness of audits but also helps in identifying emerging risks and opportunities, thereby adding greater value to the Council. Embracing these innovations ensures that Internal Audit Service will remain relevant, proactive, and capable of supporting the Council's objectives. **Appendix C** provides the actions and initiatives to support the achievement of these key areas, including a timeline for completion.

## 2.10 Performance Metrics

**Standard 12.2 Performance Measurement states that** "The Chief Audit Executive must develop objectives to evaluate the internal audit function's performance. The chief audit executive must consider the input and expectations of the board and senior management when developing the performance objectives.

The chief audit executive must develop a performance measurement methodology to assess progress toward achieving the function's objectives and to promote the continuous improvement of the internal audit function.

When assessing the internal audit function's performance, the Chief Audit Executive must solicit feedback from the board and senior management as appropriate."

A set of key performance indicators (KPIs) for 2025/26 has been established to evaluate the performance of the Internal Audit Service. These indicators measure the operational efficiency of the Service, considering factors such as management support, staff skills and competencies, resource availability, and ongoing improvement initiatives. The KPIs, are detailed in **Appendix D**.

### 3.0 Appendix

#### 3.1 Appendix 1 – Internal Audit Strategy 2025/26 -2027/28

Policies and other considerations, as appropriate	
Council Priorities:	An effective Internal Audit Service that conforms to the relevant Standards and Legislation supports the delivery of all council priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	None
Environment, Climate Change and Zero Carbon	None
Consultation/Community/Tenant Engagement:	The Strategy was presented to the Corporate Leadership Team on 26 March 2025.
Risks:	Failure to have an Internal Audit Strategy will lead to non-conformance with relevant Standards and Legislation.
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