DRAFT

INTERNAL AUDIT STRATEGY

2025/26 – 2027/28

Contents

1. Internal Audit Vision

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. Internal Audit Mission

To protect and enhance organisational value through risk-based assurance and advice, supported by evidence.

3. Strategic Objectives and Critical Success Factors

The primary strategic objectives of the Internal Audit Service are:
- **Independent Assurance**: Providing independent assurance that the Council's risk management, governance, and internal control processes are operating effectively.
- **Risk Management**: Identifying and assessing risks to the Council and ensuring that appropriate measures are in place to mitigate these risks.
- **Compliance**: Ensuring that the Council complies with relevant laws, regulations, and internal policies.
- **Operational Efficiency**: Evaluating the efficiency and effectiveness of operations and recommending improvements to enhance performance.
- **Strategic Support**: Offering insights and recommendations that support the Council's priorities and help achieve long-term goals.
- **Continuous Improvement**: Promoting a culture of continuous improvement by identifying opportunities for process enhancements and innovation.

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 are identified as:
- **Management Support**: Strong backing from senior management ensures that the internal audit function has the necessary resources, authority, and visibility to perform its duties effectively.
- **Independence and Objectivity**: Maintaining independence from the areas being audited and ensuring objectivity in reporting findings are crucial for the credibility and reliability of the Internal Audit Service.
- **Resources/Skilled and Competent Staff**: Having a team of well-trained, knowledgeable, and skilled auditors is essential for conducting thorough and effective audits.
- **Effective Communication and Collaboration**: Clear and consistent communication with stakeholders, including CLT and the Audit Committee,

helps in understanding expectations and ensuring that audit findings are acted upon. Collaborating with professional bodies and other public sector internal audit bodies is key to ensuring that the Internal Audit Service stays attuned to internal audit practice.

- **Risk-Based Approach**: Focusing on areas of highest risk to the Council ensures that audit resources are used efficiently and that the most critical issues are addressed.
- **Continuous Improvement**: Regularly updating audit methodologies and practices to incorporate new technologies and respond to changing risks helps maintain the relevance and effectiveness of the Internal Audit Service.
- **Alignment with Organisational Goals**: Ensuring that the internal audit activities are aligned with the objectives and priorities of the Council helps in providing valuable insights and recommendations that support overall aims.

4. Supporting Initiatives

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 aforementioned steps, three key areas have been identified for improvement to better achieve the Service's Critical Success Factors (CSFs). These areas are specifically highlighted under the weaknesses, opportunities, and threats in the SWOT analysis.

5. Stakeholder Engagement

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) (part of the Corporate Leadership Team) 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.

ANALYSIS OF STAKEHOLDER EXPECTATIONS   **Appendix A**

	Stakeholder	Influence	Interest	Internal Audit Action	Frequency of Communication	Stakeholder Expectations
External Stakeholders	External Auditor	Medium	Medium	Keep Satisfied	As required	• Provide support and co-ordination.
	Government Bodies	Medium	Medium	Keep Satisfied	As required	• Deliver audit work to meet grant determinations/ other specifications.
	Professional Bodies	High	Low	Keep Satisfied	As required	• Compliance with GIAS in the UK Public Sector.
	The Public	Low	Low	Monitor	As required	• Transparency of outcomes in Internal Audit.
Internal Stakeholders	Audit and Governance Committee	High	High	Manage Closely	TBA following review	• Compliance with GIAS in the UK Public Sector. • Help in achieving the A&G Committee responsibilities as stated in its Terms of Reference. • Deliver audit work to help inform an overall opinion on the governance, risk, and control environment. • Provide high quality, informative summarised reporting of key issues.
	Corporate Leadership Team	High	High	Manage Closely	Monthly	• Help the A&G Committee to achieve its duties as stated in its Terms of Reference. • Compliance with GIAS in the UK Public Sector • Provide ongoing updates on the results of the Internal Audit work, status of management action plan implementations. • Brief on key issues identified
	Director of Resources (S151)	High	High	Manage Closely	Three weekly	• Help in achieving S151 responsibilities and statutory duties • Ensuring "an adequate and effective system of internal audit"
	Senior Management	Medium	High	Keep Informed	As required	• Provide business acumen • Provide added value to services.
	Providers of Assurance	Medium	Medium	Keep Informed	Various	• Share knowledge, advice and updates on the internal control environment.
	Internal Audit Team	High	High	Monitor Closely	Daily	• Keep the Internal Audit Team motivated. • Provide ongoing training and career development.

Stakeholder Expectations Analysis

Influence is the level of power or authority a stakeholder has over the internal audit function's strategic direction, resources, and decision-making.
•High influence: The stakeholder has significant power to impact the internal audit function's strategy, resources, and key decisions.
•Medium influence: The stakeholder has moderate power to influence the internal audit function's direction and decisions.
•Low influence: The stakeholder has minimal power to affect the internal audit function's strategy and decision-making.

Interest is the level of interest a stakeholder has in the internal audit function's activities and outcomes.
•High interest: The stakeholder is actively involved and highly concerned about the internal audit function's performance and results.
•Medium interest: The stakeholder has a moderate level of interest in the internal audit function's activities and outcomes.
•Low interest: The stakeholder has minimal interest in the internal audit function's day-to-day operations and results.

Internal Audit Action
•Manage Closely: High interest and high influence stakeholders require close collaboration, regular communication (e.g., monthly), and active involvement in the internal audit function's strategic planning and decision-making processes.
•Keep Satisfied: High influence but low interest stakeholders should be kept satisfied with the internal audit function's performance and outcomes. Provide them with regular updates and address their concerns promptly.
•Keep Informed: High interest but low influence stakeholders should be kept informed about the internal audit function's activities, and achievements. Provide them with timely and relevant information to maintain their engagement and support.
•Monitor: Low interest and low influence stakeholders require minimal engagement. Monitor their interest and influence levels and provide them with general information as needed.

Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis 2025/26

Strengths

Providing audit expertise and public sector knowledge

Being independent

Providing innovative planning process provides flexibility

Seeking efficiencies

Reading the current climate / getting the balance right

Sharing best practice (collaboration)

GIAS in the UK Public Sector compliance helps create efficiencies

Weaknesses

Having a low profile/ misconception of role

Being kept informed of organisational developments/ issues

Accessing services

Being impacted by resource and budget constraints

Accessing data

Being competent in the effective use of data analytical tools/ artificial intelligence

Opportunities

Benefiting from digital transformation

Improving collaboration

Providing awareness of GIAS in the UK Public Sector to Corporate Leadership Team and Audit and Governance Committee

Opportunities for training and development

Emerging devolution/ Local Government Reorganisation agenda

Threats

Current public sector and local landscape could make auditing more difficult

Increasing demand on Internal Audit Service impacts on ability to undertake enough audit coverage to provide a meaningful year-end opinion/ non-compliance with GIAS in the UK Public Sector

Undertaking reactive fraud investigations impacts on internal audit resource

Budget constraints

Increasing risk of tolerance and less action taken as a result of audit findings

Initiatives to support the achievement of the Critical Success Factors.

Critical Success Factor Area: Management Support				
CSF 1: Strong backing from senior management ensures that the internal audit function has the necessary resources, authority, and visibility to perform its duties effectively.				
The Internal Audit Service aims to secure support from senior management and the Audit Committee to facilitate its efficient and effective operation.				
Initiatives • Internal Audit Manager to provide Corporate Leadership Team with an overview of the GIAS in the UK Public Sector, in particular Domain 3 and the underpinning documentation for 2025/26 (i.e. Charter / Mandate / Strategy). Time Frame: July 2025 • Internal Audit Manager to provide relevant training to the Audit & Governance Committee, as identified in the skills and knowledge questionnaires. Time Frame: March 2026 • Internal Audit Manager to present annual Internal Audit Report and Opinion to the Corporate Leadership Team in advance of reporting to the Audit and Governance Committee. Time Frame: July 2025 • Develop Internal Audit intranet page. Time Frame: July 2025 • Optimise working together with other risk and control monitoring functions. Time Frame: March 2026 • Undertake External Quality Assessment against the requirements of the GIAS in the UK Public Sector to include senior management and Audit Committee members. Time Frame: October 2025	**SWOT Mapping**	**Strengths** • Independence	**Weaknesses** • Access to data and services	
		Opportunities • GIAS in the UK Public Sector awareness to Corporate Leadership Team and Audit and Governance Committee	**Threats** Current public sector and local landscape could make auditing more difficult. Less action taken as a result of audit findings (greater risk tolerance) Resource and budget constraints within the Internal Audit Service.	

Critical Success Factor Area: Resources/ Skilled and Competent Staff

CSF2: Having a team of well-trained, knowledgeable, and skilled auditors is essential for conducting thorough and effective audits

The Internal Audit Service aims to ensure that its auditors are thoroughly trained, knowledgeable, and proficient, thereby maintaining a robust and comprehensive skills-mix within the Service.

Initiatives

- Internal Audit manager to report annually to the Audit and Governance Committee on Internal Audit resource levels and any implications.

    Time Frame: September 2025

- Internal Audit staff to complete an annual assessment of skills (via Audit Skills Matrix). Internal Audit Manager to assess skills and determine training and development needs.

    Time Frame: September 2025 (initial self-assessment)

    November 2025 (review/ ensure skills mix exists/ identify team/ individual training and development needs to feed into PDR process).

- Basic data analytics training for Internal Audit staff

    Time Frame: March 2026

SWOT Mapping

Strengths	**Weaknesses**
• Expertise and knowledge • Planning process provides flexibility • GIAS in the UK Public Sector compliance helps create efficiencies	• Resource Constraints • ICT auditing skills gap

Opportunities	**Threats**
• Skills gap analysis has identified areas for training and development	• Ability to provide a meaningful opinion as demand on services increases • Reactive fraud demand impacts on internal audit resource • Budget constraints in relation to keeping audit staff up to date in current auditing practices. • Suitably trained and competent staff not available to undertake the roles required.

Critical Success Factor Area: Continuous Improvement		
CSF 3: Regularly updating audit methodologies and practices to incorporate new technologies and respond to changing risks helps maintain the relevance and effectiveness of the Internal Audit Service.		
The Internal Audit Service seeks to grow understanding and development of related technologies to improve the efficiency and effectiveness of the Service.		

Initiatives

- Invest time in utilising artificial intelligence/ analytics tools

  Time Frame: March 2026

- Consider data requirements and availability in the audit planning stage

  Time Frame: April 2025

- Begin to incorporate analytics into fieldwork and testing.

  Time Frame: December 2025

- Enhance root cause analysis

  Time Frame: March 2026

- Support innovation within the Internal Audit Service to continuously improve

  Time Frame: March 2028

SWOT Mapping

Strengths	Weaknesses
- Innovative and seeking efficiencies	- Competence in effective use of data analytical tools/ AI

Opportunities	Threats
- Digital transformation - Enhanced collaboration - Devolution/ LGR	- Efficiencies will not materialise. - AI is not used appropriately both with the Internal Audit Service and across the Council.

Performance Objectives

Objective	Measurement
Compliance with Global Internal Audit Standards in the UK Public Sector	For 2025/26, measurement will be achieved via internal processes (see separate indicator), and full assessment by external independent assessor.
Quality assurance reviews confirm that adequate competencies are in place to comply with the Internal Audit Standards.	Completion of planned QAIP audits and all actions arising are implemented.
Customers / clients are satisfied with the Internal Audit experience.	Achieve minimum 95% customer satisfaction with audit from customer surveys.
To ensure audit coverage is sufficient to enable the Audit Manager to provide a year-end opinion on the governance, risk and control environment.	There is enough supporting evidence to enable the Audit Manager to provide a year-end opinion (via direct internal audit work and / or via other assurance providers).
To provide an efficient and compliant audit service	Fieldwork is completed within two months of the start date.
	Management Debriefs are scheduled within two weeks of field work being completed.
	*Management Responses are received within two weeks of the debrief meeting.
	Draft audit reports are issued within one week of receipt of full management responses
	Final audit reports are issued within one week of draft audit reports.
Agreed actions are completed and result in the desired outcomes.	*, **75% of agreed actions are subsequently signed off as implemented within the agreed time scale. This will increase to 85% in 2026/27 and 100% in 2027/28.
To implement Critical Success Factor actions, as outlined in the Internal Audit Strategy.	Completion of Critical Success Factor action plan.

*This measure is not exclusively a reflection on the Internal Audit Service's performance.
**Whilst Internal Audit will track the implementation of agreed actions, management is responsible for completing the actions and ensuring that desired outcomes are achieved.