

<b>Title of Report:</b>	<b>Four Year Internal Audit Strategy 2023 – 2027</b>
<b>Committee Report Submitted To:</b>	<b>Audit Committee</b>
<b>Date of Meeting:</b>	<b>14<sup>th</sup> June 2023</b>
<b>For Decision or For Information</b>	<b>For Decision</b>

<b>Linkage to Council Strategy (2019-23)</b>	
<b>Strategic Theme</b>	Improvement and Innovation
<b>Outcome</b>	Four Year Audit Strategy
<b>Lead Officer</b>	Audit, Risk & Governance Manager
<b>Cost:</b> (If applicable)	Approx £200k over 4-year period

<b>Budgetary Considerations</b>	
Cost of Proposal	n/a
Included in Current Year Estimates	<b>YES/NO</b>
Capital/Revenue	Revenue
Code	n/a
Staffing Costs	Nominal

<b>Screening Requirements</b>	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes/No	Date:
	EQIA Required and Completed:	Yes/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No	Date:
	RNA Required and Completed:	Yes/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No	Date:
	DPIA Required and Completed:	Yes/No	Date:

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## **1.0 Background**

- 1.1 There is a statutory requirement for the provision of an Internal Audit service in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015. The standards for internal audit services provided to local authorities are set out within the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.3 The PSIAS note that the internal audit plan should incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter.
- 1.4 This Internal Audit Strategy sets out the strategic context for the provision of internal audit services within the Causeway Coast and Glens Borough Council, consistent with the roles and responsibilities set out in the Internal Audit Charter and provides a strategic audit plan for the four year term of Council.

## **2.0 Mission Statement**

- 2.1 To provide an independent assurance and advisory service, which will assist the Council achieve its objectives and improve the effectiveness of its risk management, control and governance processes.

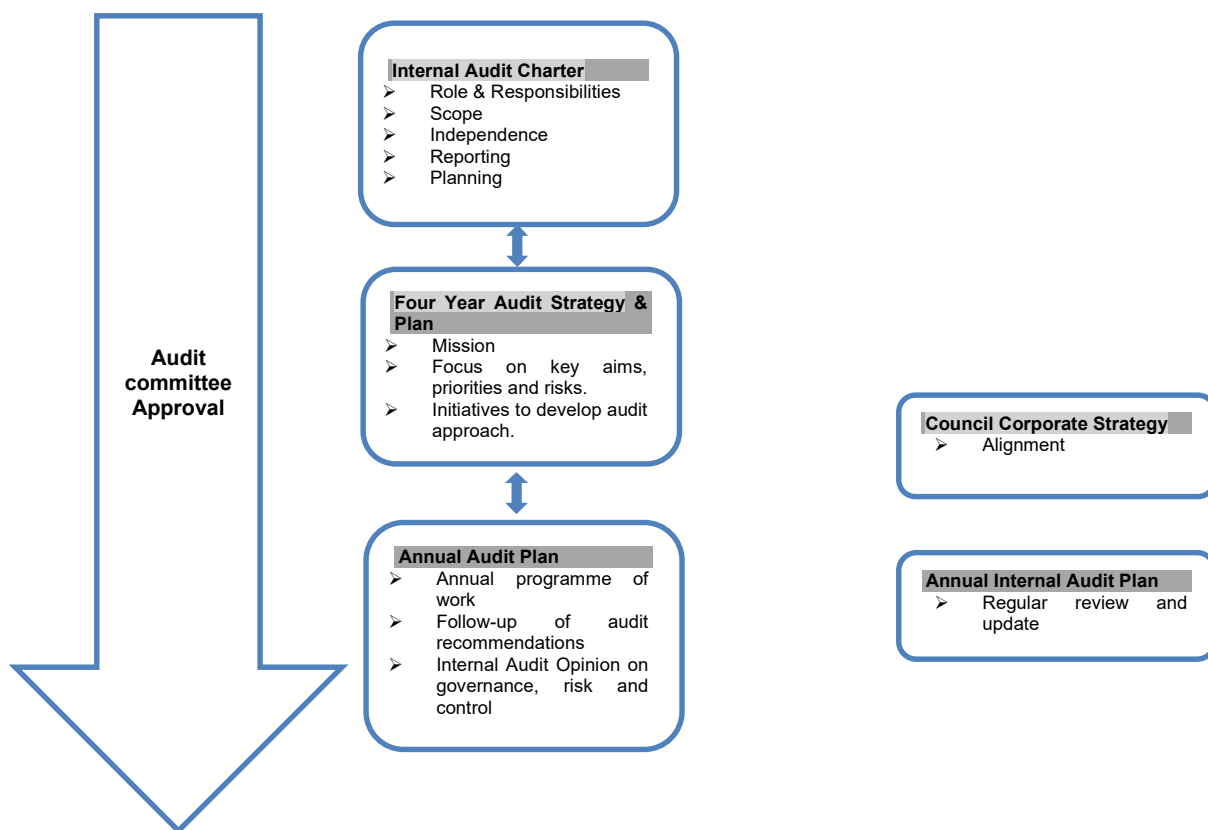
## **3.0 Strategic Objectives**

- 3.1 The strategic objectives for Internal Audit are as follows:
  - To provide an independent and objective assurance to the Council (working through the Audit Committee) on the effectiveness of risk management, control and governance processes.
  - To provide an independent and objective consultancy service specifically to help enhance and develop the Council's risk management, control and governance arrangements.
  - To respond, where possible, to management's requests for other reviews and investigations as required.

## **4.0 Internal Audit Planning Framework**

- 4.1 There is a flow from the Council's internal audit charter to the internal audit strategy, to the internal audit strategy plan and finally the annual internal audit planned work. This top-down approach between the remit of internal audit and the key priorities and plans is an important route to the overall annual opinion and assurance provided to Council.

The diagram below illustrates to the committee the relationships between the components. All components of the internal audit planning framework is reviewed on a regular basis and approved by the committee to retain alignment and relevance.



## 5.0 Delivering the Strategy

### 5.1 Providing assurance and adding value

The outputs from the audit section fall into three main areas:

- i. Assurance: Audits providing an 'assurance opinion' on the design and effectiveness of the internal control framework over an annual period.
- ii. Advice/Consultancy: Audits in respect of specific requests from the council that aim to improve governance, risk management and controls.
- iii. Provision of training: Internal audit will deliver annual fraud awareness training and will arrange Audit Committee Induction training for Members.

### 5.2 Investigative Capability and Fraud Management

Internal audit will continue to develop its investigative capability where there is a need to establish facts where there is potential evidence of irregularity, and we will work with management to continually improve the Councils anti-fraud arrangements to ensure that key fraud risks are identified and appropriately managed. We will respond appropriately and in a timely manner to relevant issues drawn to our attention by elected members, staff and members of the public.

The risk of fraud will be considered routinely as part of the scoping of internal audit reviews.

### **5.3 Specialised Skills**

Internal audit may place reliance on the work performed by third parties, for example:

- Departmental auditors for Policing Community Safety Partnership (PCSP), Labour Market Partnership (LMP) and Peace Plus (previously Peace IV) programmes.
- Northern Ireland Statistics and Research Agency (NISRA) through the GRO (General Register Office) Security and Assurance Team.

Additionally, Internal audit may place reliance upon the work performed by independent experts, particularly around cyber security and ICT.

### **5.4 Support for the Audit Committee**

Internal audit will continue to work closely with the audit committee which takes evidence from Internal Audit reports and will continue to help the committee to discharge its responsibilities and to respond to more quickly emerging issues. Internal audit will develop an effective working relationship with the chair of the audit committee to help shape the work of the committee.

### **5.5 External audit**

Internal audit will continue to ensure that the Council's appointed external auditor is, where appropriate, able to place reliance upon the work performed by internal audit. Internal audit will work closely with external audit to ensure that the external audit process is appropriately informed, and that consideration is given to the matters contained within the report to those charged with governance.

### **5.6 Resource requirements**

Internal audit services are expected to be provided by a co-sourcing arrangement of an internal auditor and external audit team. This arrangement will be reviewed on an annual basis to ensure that it continues to deliver best value for the Council and an effective audit service. Internal audit will report to the audit committee on the adequacy or otherwise of the resources available to them.

### **5.7 Variations to the strategy**

Internal audit will review the four-year strategy annually as part of the planning process to ensure that we are aware of ongoing risks and opportunities for Council. To ensure the plan remains relevant internal audit may reconsider our planned audit assignments dependent upon how the risk profile for Council changes. Where revisions are required, internal audit will obtain approval prior to commencing fieldwork, with the exception of exceptional circumstance e.g. health and safety or safeguarding considerations.

## 6.0 Internal Audit Approach

6.1 The approach to delivering the internal audit work is as follows:



Audit reports will be presented to Audit Committee and will provide an assurance opinion using the 3-tier opinion structure established by the Department of Finance and Personnel (DAO (DFP) 07/16):

### **Satisfactory Assurance**

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

### **Limited Assurance**

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

### **Unacceptable Assurance**

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

## 7.0 Audit Risk Assessment

The Internal audit approach is risk based which uses the Council's risk management process and corporate risk register as a starting point for audit plan. This represents the Council's risk assessment to achieving its strategic objectives. Input has been sought from, Council officer's auditors experience and consideration of corporate risks prevalent to other Local Government authorities within Northern Ireland. As risks change this will be reflected in the annual planning cycle.

The extent to which internal audit can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. Internal audits assessment of the Corporate Risk Register is contained.

## 8.0 Four Year Strategic Approach 2023-2027

AUDIT WORK	Four Year Audit Strategy for Council			
	2023-24	2024-25	2025-26	2026-27
<b>ENVIRONMENTAL SERVICES DIRECTORATE</b>				
<b><u>Estates</u></b>				
Graveyards				√
Grounds Maintenance			√	
Building Maintenance		√		
<b><u>Health and Built Environment</u></b>				
Environmental Health			√	
Building Control		√		
Licensing				√
Business Continuity & Emergency Planning	√			
<b><u>Infrastructure</u></b>				
Energy Management (incl. climate change)				√
Harbours, Marinas and Terminals			√	
Capital Projects		√		
Concessionary Trading Units (new)	√			
<b><u>Operations</u></b>				
Waste Services (incl. amenity sites and landfill)		√		
Street Cleansing			√	
Recycling	√			
Fleet and Fuel Management				√
<b>LEISURE SERVICES DIRECTORATE</b>				
<b><u>Community and Culture</u></b>				
Arts & Cultural Centres		√		
Museums			√	
Peace Plus				√
<b><u>Prosperity &amp; Place</u></b>				
Economic Development and Regeneration	√			
<b><u>Grant Funding Unit</u></b>				
Grant Applications			√	
<b>FINANCE SECTION</b>				
Procurement	√			
Payroll and Overtime				√
Travel & Subsistence and Mobile Phones				√
Treasury Management			√	
Budgetary Control (incl. rates setting process)	√			
Income Collection and Debtors			√	
Accounts Payable & Creditors (include credit/fuel cards)		√		
Fixed Asset Register and Management		√		
<b>CHIEF EXECUTIVE DIRECT REPORTS</b>				
<b><u>Performance Improvement</u></b>				
Corporate Health & Safety		√		

Insurance			√	
Town Halls			√	
Council Offices				√
<b>Legal Services</b>				
<b>CORPORATE SERVICES DIRECTORATE</b>				
<b>ICT</b>		√		
<b>ODHR</b>	√		√	
Management of Staffing Resources				√
<b>Democratic Services</b>				
Registration of births, deaths & marriages				√
Land and Property		√		
Contributions to other bodies			√	
PR & Corporate Communications			√	
<b>Community Planning and Policy</b>				
FOI/RFI/ Equality	√			
Corporate and Business Planning				√
Governance Code	√			
Risk Management		√		
Safeguarding			√	
<b>Planning</b>				
Managing Planning Fraud Risks	√			
Enforcement, development control & development plan		√		
<b>STATUTORY ANNUAL AUDITS</b>				
Policing and Community Safety Partnerships (PCSP)	√	√	√	√
Labour Market Partnership (LMP)	* <sup>1</sup>			
<b>PLANNING, REPORTING AND FOLLOW UP</b>				
Governance and Risk Management	√	√	√	√
Follow Up Assessments	√	√	√	√
Management and Control (training)	√	√	√	√
Contingency	√	√	√	√
<b>Total Assignments</b>				

## 9.0 Key Priorities and Targets

- To agree a four-year strategy for internal audit with an annual plan presented to audit committee.
- Establish and maintain the highest levels of good governance.
- To deliver the annual audit plan.
- To provide an annual assurance statement to the Audit Committee.

## 10.0 Conclusion

The Internal Audit Strategy has been compiled in accordance with the PSIAS and is linked to the Council's objectives and risks.

The strategy has considered all the activities of the council and discussions have been held with Heads of Service in the various service areas. An annual audit plan will be presented to Audit Committee taking account the audit strategy and emerging risks for Council to ensure that the audit approach being adopted remains relevant.

<sup>1</sup> The Department for Communities (DfC) have announce a pause in the funding for the Labour Market Partnership. Internal audit will continue to monitor developments in relation to the funding for LMP to determine if an annual audit is required.



The audits outstanding at the end of each year will transfer into 'backlog' audits and will transfer into the following year's annual audit plan, and subject to regular review of risk will be completed as the most convenient time subject to the chief audit executive's consent.

Internal audit will form an opinion on and provide an assurance on the council's system of internal control, risk management and governance. Internal audit will continue to work with management to develop and improve its risk management, controls and governance processes.

## Appendix I: Mapping Corporate Risk Register to Strategy

Ref	Strategic Risks from your CRR	Score	Audit Comments 2023-2027
CR 1a Compliance/ Regulation	The <b>extraordinary audit</b> has identified a number of key areas: governance arrangements, review of land policies. There is a risk that the recommendations and associated Action plan may not be implemented/delivered within the timescale/deadline.	25	Three external reviews have been completed including recommendations to be progressed. Audit Committee will receive progress reports from the working group. Internal audit will consider how progress in this area impacts its annual plan of work.
CR 1b Finance	Risk that <b>financial pressures</b> result in insufficient resources to delivery services. Central Government Funding and Rates Support Grant. Salaries and Wages, Utilities, Inflation and Capital expenditure projects, cost of living pressures - place a strain on financial resources within Council leading to an increase in rates 2023/24, a negative impact on reserves, and a reduction in service delivery in some areas. Challenges regarding the delivery of statutory functions. Timing and accuracy of finance information. Risk that Capital Expenditure aspirations exceeds affordability (material increases for current live projects)	25	Annual audits within the service area of Finance will be prioritised.
CR 1c Compliance/ Regulation	Risk that Council does not comply with <b>law and regulations</b> . Areas of potential non-compliance include GDPR (compromised/loss pf personal data), S75, Procurement and Health & Safety where failure to follow Legislation, Policies, Procedures, Commitments and guidance leads to litigation, loss of reputation and fines. GDPR, s75 Equality Scheme, Procurement, Health & Safety	25	Incorporated into audit strategy with Review of FOIs, SAR, Complaints audits etc. s75 and Equality Audit identified as key priority
		25	

CR 2a Cyber Security	Risk of a <b>cyber security</b> event causing significant operational, financial and reputational damage to the Council. Risk increased with hybrid working arrangements and more sophisticated hacking.		Cyber security review in 22/23. Contents considered in 22/23 assurance process.
CR 2b Estates and Assets	Risk a) failure to maintain Council <b>Assets</b> and b) full potential of Council is not realised through <b>Assets Realisation</b>	16	Extraordinary audit outworking should address some of the underlying risks in this area.
CR2c Staff Resourcing	Risk in relation to the recruitment of staff (HGV), use of Agency staff (corporate memory), harmonisation of terms & conditions, <b>pay &amp; conditions</b> may lead to failure of service delivery and future strike action. There is a risk that current industrial action will impact on delivery of services, motivation and morale of employees, reputation of Council and attraction and retention of staff.	16	Covered as a follow-up audit of the Management of Agency Staff. Will keep under review.
CR 3 Operational/ Service Delivery - Economic Uncertainty	Risk that the Council fail in its duty to support the <b>local economy</b> during the current Economic Uncertainty and cost of living crisis.	15	Statutory Indicators under NIAO performance improvement.
CR 4 Operational /Service Delivery	Risk that rapidly growing tourism places strain on <b>infrastructure</b>	12	Keep under consideration. Local Development Plan
CR 5 Financial	Risk of system failure to the <b>finance and payroll systems</b> due to project delivery of a new system implementation, that will impact of Councils ability to produce timely and accurate information for decision making purposes, and pay staff and suppliers.	12	Incorporated into audit strategy with Review of New Finance System early 23/24.
CR 6a Project Delivery	Risk that <b>ongoing projects/events</b> creates resource pressures. Failure to deliver capital investment programme due to resources, material shortages, rising cost of materials.	12	Issues identified in Events audit for consideration and implementation by management.
CR 6b Governance	Risk of bribery, <b>fraud and corruption</b> as internal controls may not be operating as intended	12	Covered in the raising concerns work by internal audit.
CR 7 Compliance & Regulation	Risk that Council fails to address its challenges of <b>climate change on a local level</b> . Net zero by 2050.	10	Audit will review Council policies and strategies to set and achieve environmental aims.

CR 8a Health & Safety	Risk that complacency in respect of <b>Health &amp; Safety</b> leads to an incident.	9	Will consider outcomes of HSC investigation.
CR 8b Compliance & Regulation	Risk to provide timely <b>planning</b> decisions. Risk that Judicial Review may deter planning within the Borough. Reduction in resources available to Planning department.	9	Incorporated into 23/24 programme of work.
CR 8c Reputation	Risk of failure to adequately react to an <b>emergency incident</b> which would minimise any negative impacts	9	Business Continuity and Emergency Planning will be audited in 23/24.
CR 8c Operational/Service Delivery	Risk that <b>business continuity</b> planning impacts on service delivery	15	Incorporated into 23/24 programme of work.
CR 8d Staff Absence	Risk that <b>absenteeism</b> leads to an increase in costs, reduction in service delivery/productivity	9	ODHR will include coverage on an annual basis.
CR 8e Reputation	Risk that external issues may impact upon the corporate image and <b>reputation</b> of the Council.	16	Outside the scope of audit
CR 8f Election	Risk that there will be resourcing challenges in terms of servicing the <b>Election</b> count	9	Risk no longer applicable
CR 9 Compliance & Regulation	Risk that Council fails to effectively manage <b>waste and achieve recycling targets</b> .	6	
CR 10 Reputation	Risk that poor <b>relationships</b> between staff and Councillors may adversely impact on performance and morale.	4	Outside the scope of audit. Training & development to be identified for implementation.

Internal audit has inserted a comment against the corporate risks currently listed. The Council have a large volume of identified risks and our audit plan is constrained. Internal audit will monitor these risks and flexibly adapt the audit plan as appropriate and if required to cover these risks. It should be noted management own actions that seek to mitigate these risks.

## Appendix II Summary of Audit Needs Assessment

Auditable Area	Risk Evaluation Rating			Our Risk Assessment Judgement			Comments
	High	Medium	Low	High	Medium	Low	
<b>Environmental Services Directorate</b>							
<b><i>Estates</i></b>							
Graveyards		√				√	Provision of grave spaces, interment and memorials Review fees and charges.
Grounds Maintenance		√				√	
Building Maintenance		√		√			Repairs and maintenance, recording on TABS system.
Knock Road Depot	n/a						Will be included within Operations and Estates audits.
<b><i>Health and Built Environment</i></b>							
Environmental Health		√			√		To review regulatory activities including animal control, food safety, pollution control, contaminated land, enforcement.
Building Control		√			√		
Licensing		√				√	
Fuel Poverty/Fuel Stamp			√			√	Low Risk
Business Continuity & Emergency Planning	√			√			Including Disaster Recovery Planning
<b><i>Infrastructure</i></b>							
Energy Management (incl. climate change)	√			√			Review climate change strategy and progress against the accompanying action plan.
Harbours, Marinas and Terminals		√			√		Management arrangements. Fees and charges.
Capital Projects	√			√			
Off-Street Car Parking			√		√		Maintenance of car parks, permits and enforcement.
Concessionary Trading Units	√			√			
<b><i>Operations</i></b>							
Waste Services (incl. amenity sites and landfill)		√			√		
Street Cleansing		√			√		
Recycling	√			√			
Fuel and Fleet Management	√				√		New Process - Fuel cards introduced
<b>Leisure &amp; Development Directorate</b>							
<b><i>Community and Culture</i></b>							
Arts & Cultural Centres			√		√		
Museums			√		√		
Peace Plus		√				√	
	Risk Evaluation Rating			Our Risk Assessment Judgement			

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Auditable Area	Risk Evaluation Rating			Our Risk Assessment Judgement			Comments
	High	Medium	Low	High	Medium	Low	
<b>Prosperity &amp; Place</b>							
Economic Development and Regeneration		√			√		Review delivery including processes and outcomes against the Economic Development Strategy. Review Economic Development plan and provide assurance around the progress/delivery.
<b>Grant Funding Unit</b>							
Grant Applications	√					√	Verification work undertaken regularly
<b>Finance Section</b>							
Procurement	√			√			Priority 1 point on RTTCWG from commencement of Council
Payroll and Overtime		√		√			
Travel & Subsistence and Mobile Phones			√			√	
Treasury Management	√			√			Consideration of financial risks and impact on prudential indicators
Budgetary Control (incl. rates setting process)	√			√			Deep dive into the assumptions used for
Income Collection and Debtors	√					√	
Accounts Payable and Creditors		√			√		New system in place Tech One
Fixed Asset Register and Management			√	√			Review of Asset Management Strategy. Assurance over effectiveness and delivery of the Asset Management Plan.
Use of Council credit card			√			√	
<b>Performance Section</b>							
Performance Improvement		√		√			NIAO audit annually.
Corporate Health & Safety	√					√	
Insurance	√				√		
Town Halls		√				√	Low Risk
Council Offices		√				√	Low Risk
<b>Legal Services Section</b>							
Legal Services		√			√		Regulatory
<b>Planning Section</b>							
Managing Planning Fraud Risks		√		√			
Enforcement, development control & development plan			√		√		New Planning portal
<b>Corporate Services Directorate</b>							
Land and Property	√			√			Assurance over rent reviews, uplifts & income monitoring
ODHR	√			√			Assurances over the audit cycle of: <ul style="list-style-type: none"> <li>• Recruitment, retention, development and appraisal</li> <li>• Absence Monitoring and Sickness</li> <li>• Time Recording and Overtime Management</li> </ul>
Registration of births, deaths & marriages			√			√	Low risk, NIRSA assurance work undertaken
	Risk Evaluation Rating			Our Risk Assessment Judgement			

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Auditable Area							Comments
	High	Medium	Low	High	Medium	Low	
ICT	√			√			Assurances over the audit cycle of: <ul style="list-style-type: none"> <li>• IT Governance</li> <li>• Data Management</li> <li>• Cyber Security</li> <li>• Information Security</li> </ul>
Contributions to other bodies			√			√	
Community Planning and Policy		√			√		
Corporate and Business Planning	√				√		
PR & Corporate Communications			√			√	
Risk Management	√			√			Including risk appetite, identification, controls & mitigation
<b>Cross Directorate Audits</b>							
Safeguarding	√				√		
Inventory Management			√			√	
Management of Staffing Resources	√			√			
Business Continuity & Emergency Planning	√				√		
<b>Statutory/Regulatory Audits</b>							
Policing and Community Safety Partnerships (PCSP)		√				√	Annual regulatory audit
Labour Market Partnership (LMP)		√				√	DfC funding in this area currently paused. Internal audit will keep the position under review.