

London Borough of Hammersmith & Fulham

Report to: Audit and Pensions Committee

Date: 15/09/2020

Subject: Internal Audit Charter

Report of: David Hughes, Director of Audit, Fraud, Risk and Insurance

Responsible

Director: Director of Audit, Fraud, Risk and Insurance

Summary

In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Council has an Internal Audit Charter which is maintained by the Shared Services Director Audit, Fraud, Risk and Insurance and reviewed annually.

The Audit and Pensions Committee consider the Council's compliance with its own and other published standards and controls as part of their Terms of Reference.

Recommendation

For the Committee to note and comment on the report.

Wards Affected: None

H&F Values

Our Values	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">Being ruthlessly financially efficient	The Internal Audit Charter and Strategy are prepared in consultation with and to support the Council's Director of Finance who has responsibility under S151 of the Local Government Act 1972 in respect of the proper administration of the Council's financial affairs.

Contact Officer:

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

- 1.1. The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013. The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The Local Government Application Note has been developed by CIPFA primarily as sector-specific guidance to local government organisations that previously fell within the remit of the CIPFA Code of Practice for Internal Audit in Local Government in the UK and it provides further explanation to the PSIAS and practical guidance on how to apply the Standards.
- 1.2. The objectives of the PSIAS are to:
 - Define the nature of internal auditing in the UK public sector;
 - Set basic principles for providing internal audit services that add value to the organisation, leading to improved organisational processes and operations;
 - Establish the basis for the evaluation of internal audit performance and to promote continuous improvement.
- 1.3. The Standard incorporates a code of ethics governing the integrity and conduct of internal auditors and the requirement for objectivity, confidentiality and competency, including regard to the seven principles of public life.
- 1.4. There are also detailed performance standards on the actual conduct of internal audit work including audit planning, performance of individual audits, progress monitoring and the communication of results.
- 1.5. Included within the Standard is a requirement for regular review and assessment of Internal Audit's conformance with the Standard. This is done as part of the Annual Report of the Shared Services Director for Audit, Fraud, Risk and Insurance which is reported to the Audit and Pensions Committee. The Annual Report to the Audit, Pensions Committee for 2019/20 (reported in September 2020) includes the following statement:

"The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2019/20 the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified

general compliance with the Standards with minor improvements which will be addressed during 2020/21.”

- 1.6. The Internal Audit Charter has been developed to demonstrate compliance with the PSIAS and Appendix 1 sets out the updated Internal Audit Charter and Appendix 2 contains the Internal Audit Strategy which sets out how the Council’s Internal Audit service will be developed and delivered in accordance with the Internal Audit Charter and identifies key impacts on the service where these are known.

Legal Implications

- 1.7 Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council’s responsibility for ensuring that it has a sound system of internal control which:
- a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - b. ensures that the financial and operational management of the authority is effective; and,
 - c. includes effective arrangements for the management of risk.
- 1.8 Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 1.9 There are no particular legal implications arising from this report.

Implications verified by Janette Mullins Chief Solicitor (litigation), tel: 020 8753 2744

Financial Implications

- 1.10 The Internal Audit Service and Plan is delivered within the service budget. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.

Implications completed by Andre Mark, Finance Business Partner, 020 8753 6729 and verified by Emily Hill, Director of Finance, 0208 753 3145.

List of Appendices:

*Appendix 1 – Internal Audit Charter
Appendix 2 – Internal Audit Strategy*