


<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>AUDIT, PENSIONS AND STANDARDS COMMITTEE</b></p> <p><b>24 SEPTEMBER 2019</b></p>	
<b>INTERNAL AUDIT CHARTER</b>	
<b>Report of the Strategic Director of Finance and Governance</b>	
<b>Open Report</b>	
<b>Classification: For Information</b> <b>Key Decision: No</b>	
<b>Wards Affected: None</b>	
<b>Accountable Director:</b> David Hughes, Director of Audit, Fraud, Risk and Insurance	
<b>Report Author:</b> David Hughes, Director of Audit, Fraud, Risk and Insurance	<b>Contact Details:</b> Tel: 0207 361 2389 David.HughesAudit@lbhf.gov.uk

## 1. EXECUTIVE SUMMARY

1.1. 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 Director Audit, Fraud, Risk and Insurance. The Charter is reviewed annually and has recently been updated to include reference to the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations and to reflect any organisational changes during 2019.

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

## 2. RECOMMENDATION

2.1. To review and note the contents of this report.

## 3. REASONS FOR DECISION

3.1. Not applicable. No decision required.

## 4. PROPOSAL AND ISSUES

- 4.1. 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.
- 4.2. 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.
- 4.3. 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.
- 4.4. 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.
- 4.5. 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 Director for Audit, Fraud, Risk and Insurance which is reported to the Audit, Pensions and Standards Committee. The Annual Report to the Audit, Pensions and Standards Committee for 2018/19 (reported in July 2019) included the following statement:
- "The Internal Audit Service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). Under these Standards, internal audit services are required to have an external quality assessment at least once every five years. During 2018/19 the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified general compliance with the Standards with minor improvements required which will be addressed during 2019/20."*
- 4.6. Appendix A sets out the updated Internal Audit Charter and Appendix B 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.

## 5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. The Director of Audit, Fraud, Risk and Insurance is required to provide an annual report and opinion on the Council's system of internal control under the Public Sector Internal Audit Standards. The Internal Audit Charter has been developed to demonstrate compliance with the standards.

## **6. CONSULTATION**

- 6.1. Not applicable.

## **7. EQUALITY IMPLICATIONS**

- 7.1. There are no equality implications arising from this report.
- 7.2. Implications verified by Fawad Bhatti, Social Inclusion and Policy Manager, tel. 07500 103617.

## **8. LEGAL IMPLICATIONS**

- 8.1. Internal Audit is a statutory requirement as set out in the Accounts and Audit Regulations 2015.
- 8.2. Implications verified by Rhian Davies, Assistant Director of Legal and Democratic Services, tel. 07827 663794.

## **9. FINANCIAL IMPLICATIONS**

- 9.1. 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.
- 9.2. Implications completed by: Andre Mark, Finance Business Partner (Corporate Finance), Tel. 020 8753 6729. Implications verified by: Emily Hill, Assistant Director (Corporate Finance), Tel. 020 8753

## **10. IMPLICATIONS FOR LOCAL BUSINESS**

- 10.1. There are no implications for business arising from this report.
- 10.2. Implications verified by Albena Karameros, Programme Manager, Economic Development, 07739 316 957.

## **11. COMMERCIAL IMPLICATIONS**

- 11.1. There are no commercial implications arising from this report.
- 11.2. Implications verified by Andra Ulianov, Head of Contracts and Procurement, 0777 667 2876.

## 12. IT IMPLICATIONS

- 12.1. There are no ICT implications arising from this report.
- 12.2. Implications verified by: Veronica Barella, Chief Information Officer,  
Tel 020 8753 2927.

## 13. RISK MANAGEMENT

- 13.1 The Internal Audit Service in meeting the requirements of the Public Sector Internal Audit Standards develops and delivers an annual plan to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.
- 13.2 Implications verified by Michael Sloniowski, Risk Manager, telephone 020 8753 2587

## 14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No	Description of Background Papers	Name/Ext holder file/copy	of of	Department/ Location
1	Public Sector Internal Audit Standards	David Hughes 0207 361 2389		Finance and Governance, 3 Shortlands, W6 8DA
2	CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations	David Hughes 0207 361 2389		Finance and Governance, 3 Shortlands, W6 8DA

### LIST OF APPENDICES:

- Appendix A – Internal Audit Charter  
Appendix B – Internal Audit Strategy