

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 14/12/2021

Subject: Internal Audit Charter and Strategy

Report of: David Hughes, 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 Director of Audit, Fraud, Risk and Insurance. The Charter is reviewed annually to ensure that it reflects the Standards. The Strategy sets out the approach to the delivery of the Internal Audit service.

Recommendation

For the Committee to note and comment on the Charter and Strategy.

Wards Affected: None

H&F Values

Please state how the subject of the report relates to our values – delete those values which are not appropriate

Our Values	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">Being ruthlessly financially efficient	The work undertaken by Internal Audit helps to ensure that management have robust controls and practices in place to safeguard the Council's assets, controlling expenditure and maximising potential income to protect and invest in essential frontline services which are in place to meet the Council's priorities

Contact Officer:

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. The Internal Audit Charter is subject to annual review and, in accordance with the PSIAS, it should be periodically approved by the Audit Committee. The Internal Audit Strategy is included as an Appendix to the Charter and sets out how the Council's Internal Audit service will be developed and delivered in accordance with the Charter.
2. The Audit Committee consider the Council's compliance with its own and other published standards as part of their responsibilities.
3. The PSIAS came into effect from 1 April 2013. The Standards 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 the Chartered Institute of Public Finance and Accountancy (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. 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.
5. 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.
6. 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.
7. Included with 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 of Audit, Fraud, Risk and Insurance which is reported to the Audit Committee. The Annual Report to the Audit Committee for 2020/21 (reported in June 2021) included the following statement:

"The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2020/21, the Internal Audit Service undertook a self-assessment to verify PSIAS compliance which has identified

general compliance with the Standards. Some improvements in reporting and planning have been identified which are being implemented in 2021/22.”

8. The London Audit Group (LAG) has organised a system of independent externally validated self-assessments across the London Boroughs. It has been agreed that self-assessments against the Standards, and where appropriate, the CIPFA Local Government Application Note (LGAN) will be completed and that these will be externally validated by suitably qualified individuals or teams from other members of LAG. An externally validated assessment of the Internal audit Service is due to be undertaken in January/ February 2022. The outcome of this assessment will be reported to the Committee in June/ July 2022.
9. The Charter has been reviewed and minor amendments made to state that compliance with the PSIAS is mandatory (Charter, paragraph 1.1), the internal audit remit extends to the entire control environment of the Council (Charter, paragraph 6.1) and to provide more clarity on internal audit involvement in consulting engagements (Charter, paragraphs 9.4, 9.5 and 9.6).
10. The Strategy has been updated to reflect as the service has adopted a more agile approach to the preparation of the annual audit plan (Strategy, page 8).

Consultation

11. The report has been subject to consultation with the Strategic Leadership Team.

Legal Implications

12. 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.
13. 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.

14. There are no particular legal implications arising from this report.

Implications verified by Grant Deg, Chief Solicitor (litigation and employment), 07798 588 766.

Financial Implications

15. Internal Audit Service is provided within the agreed revenue budget for the service. There are no additional financial implications arising from this paper. .

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

Risk Management

16. The Internal Audit Service is developed and delivered to cover the key risks faced by the Council and in line with professional standards.

Implications verified by Moira Mackie, Head of Internal Audit, 07800 513 192.

List of Appendices:

Appendix 1 Internal Audit Charter and Strategy