

AUDIT AND STANDARDS COMMITTEE

19 May 2021

Title: Internal Audit Charter, Strategy and Plan for 2021/22	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
Report Author: Christopher Martin, Head of Assurance	Contact Details: Tel: 07870 278188 E-mail: Christopher.Martin@lbbd.gov.uk
Accountable Director: Fiona Taylor, Director of Law, Governance and Organisational Change	
Accountable Strategic Leadership Director: Fiona Taylor, Director of Law, Governance and Organisational Change	
Summary <p>The Internal Audit Charter defines the purpose, activity and responsibility of Internal Audit activity and is reviewed and presented annually for approval. It has been updated by the Head of Assurance and contains amendments as detailed below.</p> <p>The Internal Audit Strategy 2021/22 onwards details how the Internal Audit service will be delivered and is reviewed and presented annually for approval. It has been updated by the Head of Assurance to reflect current practice, which has been developed throughout the year to further improve the delivery of the Internal Audit service.</p> <p>The Internal Audit Plan 2021/22 has been developed in line with the Charter and Strategy. It has been fully funded to enable production of an effective annual Internal Audit opinion.</p>	
Recommendation(s) <p>The Audit and Standards Committee is asked to:</p> <ul style="list-style-type: none">(i) Approve the draft Internal Audit Charter.(ii) Approve the draft Internal Audit Strategy 2021/22 onwards(iii) Approve the draft Internal Audit Plan 2021/22.	
Reason(s) <p>Delivering value for money for the taxpayer is a theme of the Well Run Organisation section of the Corporate Plan. Establishing an Internal Audit Charter, Strategy and Plan provides stakeholders with assurance of the Council's determination to ensure value for money and that all expenditures are accounted for.</p>	

1 Internal Audit Charter (“the Charter”)

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the Internal Audit activity to be formally defined in an Internal Audit Charter. The PSIAS require periodic review of the Charter by the Chief Audit Executive and to be presented to senior management and the board for approval.
- 1.2 The Charter is reviewed at least annually by the Head of Assurance and presented for approval. The Charter was last presented to the Audit and Standards Committee in April 2020.
- 1.3 The Charter has been updated by the Head of Assurance to ensure compliance with the Public Sector Internal Audit Standards and reflect current reporting lines. Additional measures have been put in place to ensure that any audits carried out in areas for which the Head of Assurance has strategic control (i.e. Counter Fraud, Insurance and Risk Management) are done so in a robust fashion and are able to report more transparently, directly to the Finance Director.
- 1.4 The Charter has also been update to reflect current operational arrangements whereby the Head of Assurance reports to the Director of Law, Governance and Organisational Change rather than the Finance Director. The Head of Assurance remains a full member of the Finance Management Team however to enable the Finance Director to discharge his responsibilities under s151 of the Local Government Act 1972, relating to the proper administration of the Council’s financial affairs.
- 1.5 The Internal Audit Charter is set out at Appendix 1 of this report and is presented for approval.

2 Internal Audit Strategy (“the Strategy”) 2021/22

- 2.1 The Strategy details how the Internal Audit service will be delivered, in line with the Charter and includes:
 - resources;
 - approach to preparing and delivering the internal audit plan;
 - quality assurance;
 - reporting;
 - follow-up;
 - annual opinion; and
 - performance monitoring.
- 2.2 It is presented at least annually for approval. The Strategy was last presented to the Audit and Standards Committee in April 2020.
- 2.3 The Strategy has been updated by the Head of Assurance to reflect changes in practice moving forward as well as further clarity on the work of Internal Audit within the organisation during times of emergency. This approach has been developed and implemented with a focus on providing a risk-based internal audit plan tailored to the Council’s key objectives, priorities and risks following feedback from senior stakeholders.

- 2.4 As noted at Section 3 of the Strategy, the Internal Audit service is provided by a small in-house team supported by externally provided resources. The in-house team currently consists of the Head of Assurance whose remit amongst other related services includes Internal Audit. There is also a fully qualified Internal Audit Manager and a Principal Auditor who is continuing to work towards the IIA qualification.
- 2.5 It is proposed that the existing arrangement to co-source external support from both Mazars and PwC via the appropriate framework contacts is continued into 2021/22.
- 2.6 As noted at section 4 of the Strategy, all London Borough of Barking and Dagenham's activities (including those delivered by external providers) and legal entities are within the scope of Internal Audit. As a result, the Internal Audit plan includes risk-based audit activity – focusing on Council's risks and not those of the entities which may be aligned or may differ – in the Council's related entities. The Internal Audit activity will not cover all activities of the related entities, although the entities may request this activity at a cost. Discussions with the traded entities have taken place to this effect.
- 2.7 The Strategy is set out at Appendix 2 and is presented for approval.

3 Internal Audit Plan (“the Plan”) 2021/22

- 3.1 The Plan has been developed in line with the Charter and Strategy. It details the planned use of Internal Audit resources for 2021/22, including draft audit titles and proposed audit objectives. It is compiled at least annually prior to the commencement of each financial year and reviewed periodically to reflect any relevant changes.
- 3.2 The plan includes the number of days allocated to each project for transparency, clarity and ease of planning. A number of days within the plan have been held back as contingency to reflect the fact that some risks and challenges present themselves during the year and require an immediate response.
- 3.3 The Plan is set out at Appendix 3 and is presented for approval.

4 Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

- 4.1 The Accounts and Audit (England) Regulations 2015 section require that: a relevant authority must ensure that it has a sound system of internal control which—facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
- 4.2 Furthermore the Director of Finance has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs.

- 4.3 The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against it. We will enhance our provision further by making best use of existing legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered, where possible by the Council.

5 Financial Implications

Implications completed by: Katherine Heffernan, Group Manager – Service Finance

- 5.1 Internal Audit is fully funded as part of the Council's Finance Service. It is a key contribution to the overall management and control of the Council and its stewardship of public money. The recommendations and improvements as a result of its findings will be implemented from within existing resources. There are no further financial implications arising from this report .

6 Other Implications

- 6.1 **Risk Management** – The internal audit plan is risk-based and therefore supports effective risk management across the Council.
- 6.2 **Contractual issues** – As detailed above, delivery of the internal audit service will utilise two contracts, one with PwC and one with Mazars. Contracts for both organisations are in place following procurement processes undertaken by other London Boroughs.
- 6.3 **Staffing issues** – There is no impact on current staff.
- 6.4 **Corporate policy and customer impact** – The internal audit service is aligned to corporate objectives. No impact on race, gender, disability, sexuality, faith, age or community cohesion.
- 6.5 **No other implications to report**

7 Public Background Papers Used in the Preparation of the Report: None

8 List of appendices:

Appendix 1: Internal Audit Charter
Appendix 2: Internal Audit Strategy 2021/22
Appendix 3: Internal Audit Plan 2021/22