

AUDIT AND STANDARDS COMMITTEE

27 April 2020

Title: Draft Internal Audit Charter, Strategy and Plan for 2020/21	
Open Report	For Agreement
Wards Affected: None	Key Decision: No
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Accountable Director: Claire Symonds, Chief Operating Officer	
Summary: 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 minor amendments detailed below. The Internal Audit Strategy 2020/21 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. The Internal Audit Plan 2020/21 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.	
Recommendations: The Audit and Standards Committee is asked to: (i) Approve the draft Internal Audit Charter. (ii) Approve the draft Internal Audit Strategy 2020/21 onwards (iii) Approve the draft Internal Audit Plan 2020/21.	

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 on 3 April 2019.
- 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 practice. 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 Internal Audit Charter is set out at Appendix 1 of this report and is presented for approval.

2 Internal Audit Strategy (“the Strategy”) 2020/21

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 on 3 April 2019.

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 newly appointed fully qualified 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 2020/21.

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 to the entity. Discussions with the related entities have taken place to this effect.

2.7 There are interim management arrangements in place whilst the CEO is on secondment at Birmingham City Council. The Head of Assurance will report to the Director of Law and Governance for this period but as this is a temporary arrangement the Strategy has not been updated to reflect the change.

2.8 The Strategy is set out at Appendix 2 and is presented for approval.

3 Internal Audit Plan (“the Plan”) 2020/21

3.1 The Plan has been developed in line with the Charter and Strategy. It details the planned use of internal audit resources for 2020/21, 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 now includes the number of days allocated to each project for transparency, clarity and ease of planning. A number of days within the plan has 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 Financial Implications

- 4.1 The budget for the full plan has been approved by the Chief Operating Officer.

5 Legal Implications

This has no legal implications.

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.

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

List of appendices:

- Appendix 1: Internal Audit Charter
- Appendix 2: Internal Audit Strategy 2020/21
- Appendix 3: Internal Audit Plan 2020/21