



Meeting:	Audit and Performance Committee
Date:	29 November 2022
Classification:	General Release
Title:	Internal Audit Charter and Strategy
Wards Affected:	All
Policy Context	Internal audit provides assurance to the Council that it has robust systems and controls in place to support the ambitions contained within the Fairer Westminster Strategy.
Cabinet Member:	Councillor David Boothroyd, Finance and Council Reform
Key Decision:	No
Financial Summary:	Not applicable
Report of:	Gerald Almeroth, Executive Director of Finance and Resources

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 Shared Services Director for 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.

2. Recommendation

- 2.1 The Internal Audit Charter and Strategy are approved by the Committee.

- 2.2 To note the commencement of a review of the effectiveness of the Committee in line with the recent guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on Audit Committees and that a report will be provided on the outcome of the review at a future meeting.

3. Reasons for Decision

The Internal Audit Charter is subject to annual review and, in accordance with the Public Sector Internal Audit Standards, it should be periodically approved by the Audit and Performance Committee. The Internal Audit Strategy is included as an Annexe to the Charter and sets out how the Council's Internal Audit service will be developed and delivered in accordance with the Charter.

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

4. Background, including Policy Context

- 4.1 The Public Sector Internal Audit Standards (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.
- 4.2 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 Shared Services Director for Audit, Fraud, Risk and Insurance which is reported to the Audit and Performance Committee. The Annual Report to the Audit and Performance Committee for 2021/22 (reported in July 2022) included the following statement:

“The internal audit service has been provided in accordance with the UK Public Sector Internal Audit Standards (PSIAS). During 2021/22 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 have been implemented in 2021/22.”

- 4.6 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 was planned for earlier this year but had to be postponed due to the availability of the assessor and it is now expected to take place in the final quarter of this financial year. The outcome of this assessment will be reported to the Committee in due course.
- 4.7 The Charter and Strategy have been reviewed with no amendments made other than some minor typos and the date.
- 4.8 Attention is drawn to paragraph 7.4 of the Charter which explains the role of the Shared Services Director for Internal Audit, Fraud, Risk and Insurance to contribute to the effectiveness of the Audit Committee. As the Chartered Institute of Public Finance and Accountancy (CIPFA) has recently updated their guidance for Audit Committees for local authorities, it is proposed that a review of effectiveness is undertaken by the Shared Services Director for Internal Audit, Fraud, Risk and Insurance which will include discussions with the Chair of the Committee, the Committee Members as well as some officers including the S151 and Monitoring Officers. The outcome of this review will be reported to the Audit and Performance Committee and can then be reported as part of the Chair’s Annual Report.

5. Financial Implications

There are no financial implications from this report.

6. Legal Implications

- 6.1 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.
- 6.2 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.

7. Carbon Impact

The decision will have no carbon impact.

8. Equalities Impact

There are no equalities implications from this report.

9. Consultation

The Internal Audit Charter and Strategy are prepared in consultation with the Council's Executive Director of Finance and Resources and support the Executive Director's responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council's financial affairs.

APPENDIX

Appendix 1 Internal Audit Charter and Strategy

**If you have any queries about this Report or wish to inspect
any of the Background Papers - please contact:**

Moira Mackie on 07800 513 192 Email: Moira.Mackie@rbkc.gov.uk

or

David Hughes on 07817 507 695 Email: David.Hughes@rbkc.gov.uk

BACKGROUND PAPERS:

CIPFA Local Government Application Note

Public Sector Internal Audit Standards

CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations