

Internal Audit Strategy 2019/20

January 2019

Draft

▶ Click to launch



Contents

Introduction and Mission Statement

1

Key components for the Internal Audit Strategy

2

Provision of the service

3

Appendices

- A. Corporate Committee
- B. Initiatives and efficiency proposals
- C. Compliance with professional standards

1. Introduction and Mission Statement

1.1. Introduction

1.1.1. This document sets out the Internal Audit Strategy for the forthcoming year. The Strategy sets out how the service will be delivered and developed and is underpinned by the Internal Audit and Counter Fraud Charter (the Charter) which describes the purpose, authority, responsibility and position of the Internal Audit (IA) Service within the London Borough of Lambeth (the Council).

1.2. Our Mission Statement

1.2.1 IA has adopted the following Mission Statement:

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight, and support the Council to successfully achieve its vision and priorities as set out in the borough plan: 'Future Lambeth: Our Borough Plan'.

1.2.2. In delivering this Mission Statement we will:

- Produce and deliver an annual Internal Audit Plan in line with good practice performance targets;
- Provide the statutory Head of Internal Audit Annual Opinion on the Council's internal control, risk management and corporate governance arrangements;
- Provide progress reports to the Corporate Committee, which highlight progress against the agreed Plan and highlight significant control deficiencies or areas for improvement in the Council's internal governance, risk management and control arrangements;
- Support continuous improvement across the Council through assurance, advisory and follow-up services, providing challenge of key decisions and actions taken by management to ensure they are appropriate and in accordance with relevant policies and procedures, legislation and professional standards.

2. Key components of the Internal Audit Strategy (1 of 2)

2.1. Our objectives

2.1.1. To deliver our Mission Statement and a successful IA service in line with our professional standards, we will adopt four key objectives:

Assume a leadership role in promoting the second and third lines of assurance

- We will continue to champion and educate stakeholders on the three lines of assurance model, which promotes governance and management oversight responsibilities.

Deliver a flexible annual Internal Audit Plan that addresses stakeholders' needs and strategic business risks

- We will demonstrate our capabilities to deliver a flexible and valuable service, whilst maintaining independence, objectivity and confidentiality in meeting the needs and expectations of our stakeholders.
- We will be agile in responding to the Council's changing priorities, providing a dynamic and innovative approach in the way in which our service is delivered.
- To be most effective we will focus on the Council's significant risks and develop an appropriate balance of audit activities to achieve our strategic objectives within financial constraints. We will do this by delivering assurance work aligned to the Council's key inherent risks and corporate risk register, taking account of other sources of assurance and by adding value through proactive advisory work. We will also expand our collaborative working approaches both internally and externally.

Develop and implement knowledge and talent-acquisition strategies

- We will implement various strategies to develop internal skillsets, through our cross council assurance framework, a combined auditing approach, collaborative working with our outsourced provider and apprenticeship opportunities.

Be a trusted advisor to strategic management and the Corporate (Audit) Committee:

- The Head of Internal Audit & Counter Fraud will share knowledge gained through audit activities to provide a holistic perspective and approach to governance, risk management and systems of internal control.

2. Key components of the Internal Audit Strategy (2 of 2)

2.2. Measurements of success

2.2.1. The UK Public Sector IA Standards (PSIAS) are clear that IA should add value to the organisation. At a time when Councils are being urged to deliver better and more efficient services, IA must also demonstrate improvements in its services and added value to the Council. This will be achieved through the delivery of this Strategy.

2.2.2. We have established key performance indicators (KPIs) to measure the ongoing performance, robustness and value of the IA service, which will demonstrate achievement of the objectives that support our Mission Statement.

2.3. Our KPIs

2.3.1. KPIs to measure the success of our IA service are:

- At least 90% of the annual Internal Audit Plan delivered by 31st March of the financial year and 100% to be finalised by 30th April
- Average customer satisfaction score for the year to meet or exceed acceptable level for at least 80% of completed surveys
- 70% of all Critical and High risk recommendations due in the reporting year are implemented.

Supporting documents

Our key strategic documents include:

- **The IA Strategy (including our Mission Statement)**
- **The Internal Audit and Counter Fraud Charter**
- **Corporate (Audit) Committee Terms of Reference**
- **The Annual Internal Audit Plan**
- **The Internal Audit Manual (our Standard Operating Procedures)**
- **Engagement and Escalation Protocol**
- **Implementation Review Protocol**

Overall success will be evident in the improvement in the Council's internal control environment over time, demonstrated by:

- **A reduction in the total number of IA recommendations raised**
- **A reduction in the risk rating of those recommendations**
- **Improved statistics for the implementation of recommendations.**

2.4. Performance monitoring

- The Internal Audit Plan is agreed by the Corporate (Audit) Committee annually.
- Delivery of the Internal Audit Plan (including any amendments) is reported to every Corporate Committee meeting.
- Individual audit assignments are recorded and monitored in detail within a Performance Management System which is used for reporting performance statistics.
- The in-house teams' individual performance will be regularly assessed, monitored and supported through 121 and team meetings.
- Our co-sourced providers' performance is monitored through contractual KPIs and quarterly contract management meetings. A suite of KPIs has been designed in conjunction with cross-council assurance service (CCAS) partners to measure contractual performance and enable benchmarking between member authorities.

3. Provision of the service

3.1. How the IA service is provided

3.1.1. The IA service has defined standards for the planning, execution and reporting of internal audit work. These include arrangements for the review and approval of reports by the Head of Internal Audit & Counter Fraud before issue. Reports will be balanced, clear, concise, constructive and they will be issued in line with our defined reporting timescales.

3.1.2. The Head of Internal Audit & Counter Fraud will provide an Annual Internal Audit Opinion to those charged with governance, timed to support the Council's Annual Governance Statement. The Annual Internal Audit Opinion will include the statutory opinion on the overall adequacy and effectiveness of the Council's system of internal control, risk management and corporate governance.

3.2. IA resources

3.2.1. Our resourcing strategy is set up in a way to provide robust business continuity and succession planning. We are a founding member of the Cross Council Assurance Service (CCAS), established with five other lead London Boroughs (Camden, Islington, Barnet, Enfield and Harrow); to provide an audit framework with PricewaterhouseCoopers (PwC). This framework provides co-sourced IA services to supplement our in-house provision. There is a shared vision across members of CCAS to build skills and capacity within in-house teams, to develop trainee positions and to build a shared platform for service delivery, which will enable future shared service opportunities.

Internal Resource

Our current IA structure comprises of 6 officers and 50% of a Head of Service:

- 1 x Head of Internal Audit & Counter Fraud (50% Internal Audit & 50% Counter Fraud)
- 1 x Internal Audit Manager
- 1 x Senior Auditor
- 1 x Auditors
- 2 x Junior Auditors

External Resource

- Around £320k of planned IA work is provided by PwC, our Internal Audit Contractor, through the CCAS Framework. This work comprises the more complex, specialist elements of the Plan, including computer audit services.

4. Appendices

Appendix 1: Corporate Committee

Internal Audit will support Corporate Committee as a key stakeholder in accordance with their terms of reference:

Specific Audit Functions

1. To oversee and/or discharge on behalf of the Council the requirements of the updated Accounts and Audit Regulations (latest 2015), which require the Council to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.
2. To review the internal audit and counter fraud strategy and to consider whether it meets recommended best practices and to champion good internal control, governance and counter fraud practice to the wider organisation.
3. To review the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and risk profile.
4. To consider the Head of Internal Audit and Counter Fraud's annual report and opinion, and a summary of internal audit and counter fraud activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
5. To consider summaries of specific reports of internal audit, investigations and external audit reports, in particular those with an "inadequate" audit assurance assessment.
6. To consider reports dealing with the management and performance of the providers of internal audit services.
7. To consider a report from the internal auditors on agreed recommendations not implemented within a reasonable timescale.

Appendix 2: Initiatives and efficiency proposals

- We will embed the 3-Lines of assurance model throughout the Council and continue to educate all stakeholders to embed effective oversight arrangements, at all management levels. This will ensure that assurance is sufficient and appropriate for the relevant business process, prevents duplication and is efficient and effective
- We will support risk management and encourage risk appetites to be defined at corporate and service level. We will align our proposed recommendations to risk appetites, which will enable management to operate and deliver services in more flexible environment.
- We have developed an assurance map to develop our annual Internal Audit Plan and help embed the 3-lines of assurance model. We will continue to develop and use the assurance map as a dynamic management tool which will provide ongoing assurance oversight.
- We have revised our 'follow-up' process to ensure that there is a complete and accurate record of all outstanding recommendations. We will continue to work closely with management to ensure this process is embedded across the organisation.
- We will ensure that audit recommendations proposed are SMART (Specific, Measureable, Assignable, Realistic and Time-related), effective and economical, targeting key risks.
- Where sufficient control measures have been implemented and confirmed to address High and Critical rated risks, the rating may be re-assessed and reduced.
- We will continue our exception-based style of reporting on internal audit reviews; this will allow for reports to be produced in shorter timeframes and provide report owners with a concise summary of risks identified from which an action plan will be derived to readily focus resources.
- We will incorporate data analytics in our Internal Audit reviews to provide further intelligence over entire populations and help horizon scan, for example: key themes and emerging risks. This will give management a dynamic perspective of information available and allow for more strategic decision making.
- We will continue to promote a combined assurance and collaborative working arrangements to facilitate an efficient and effective auditing approach.
- We will continue to review where we can perform programmed audit work to ensure wider coverage and stronger audit relationships.

Appendix 3: Compliance with professional standards

Public Sector Internal Audit Standards (PSIAS)

We will ensure that our IA service is compliant with PSIAS. The last independent review of internal audit effectiveness (2015) confirmed that we were compliant (only minor observations were noted which have now been addressed). We perform annual assessments of compliance and report on this as part of our Annual Internal Audit Opinion.

International professional standards framework

The IA Service will operate in compliance with the International Professional Practices Framework:

