

CORPORATE COMMITTEE 27 JANUARY 2022

Report title: Internal Audit and Counter Fraud Charter; Internal Audit Strategy 2022/23

Wards: All

Portfolio: Cabinet Member for Finance & Performance: Councillor Andrew Wilson

Report Authorised by: Fiona McDermott: Strategic Director for Finance and Investment

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REPORT SUMMARY

The attached report explains the strategic approach for Internal Audit that will be adopted to continue to provide effective assurance on the risks facing the Council and the strategic approach to tackling fraud against the Council for the coming year. An ongoing focus for 2022/23 will be the ways in which we can assist management to meet the new challenges they face through developing our approach to combined assurance, to redesign controls that ensure key risks are managed with reduced resources and by providing appropriate challenge, support and assurance to key programmes and projects which are enabling transformation and efficiencies.

The remit and work of the Internal Audit and Counter Fraud Service is documented in the Internal Audit and Counter Fraud Charter. The Charter is subject to an annual review by the Committee and a draft for 2022/23 is presented for approval by Members. The Charter is compiled in accordance with the Public Sector Internal Audit Standards.

FINANCE SUMMARY

This report does not give rise to any additional capital or revenue financial implications. Actions to ensure compliance with relevant legislation and Council policies will be undertaken within the existing budgets.

RECOMMENDATIONS

1. To approve the draft Internal Audit and Counter Fraud Charter for 2022/23 (Appendix A).
2. To approve the Internal Audit Strategy for 2022/23 (Appendix B).

1. CONTEXT

- 1.1 The Corporate Committee performs the 'Audit Committee' role at Lambeth. This includes approving the Internal Audit Charter and Strategy every year.

2. PROPOSAL AND REASONS

- 2.1 The report provides Members with:

- The Internal Audit Strategy for 2022/23 for consideration and approval, which will be used to develop the Internal Audit Work Plan for 2022/23; and,
- The draft Internal Audit and Counter Fraud Charter 2022/23 for consideration and approval.

A summary of the items attached as appendices is included below, including an outline of any key changes to the documents from the previous year.

- 2.2 Summary of key changes to documents in appendices:

- A. **Internal Audit Charter 2022/23:** key changes relate to recommendations from the External Quality Assessment:

- There is now a time limit of 18 months following which auditors can be involved in projects where they have had operational reasonability or have provided advice; and
- A table has been included to outline key areas of specific responsibility including approving decisions regarding the appointment and removal of the Chief Audit Executive (Assistant Director Audit and Investigations).

- B. **Internal Audit Strategy (IAS) 2022/23** – the content of the IAS is broadly the same as the previous year.

- 2.3 We have summarised the purpose of each document below.

Internal Audit Charter 2022/23 (Appendix A)

- 2.4 The Internal Audit and Counter Fraud Charter provides the framework for the conduct of the Internal Audit and Counter Fraud service at the Council. It formally establishes the purpose, authority and responsibilities of the function.

Internal Audit Strategy (IAS) 2022/23 (Appendix B)

- 2.5 The IAS sets out how the service will be delivered and developed and is underpinned by the Internal Audit Charter which describes the purpose, authority, responsibility and position of the Internal Audit Service within the London Borough of Lambeth.

3. FINANCE

- 3.1 This report does not give rise to any additional capital or revenue financial implications. Actions to ensure compliance with relevant legislation and Council policies will be undertaken within the existing budgets.

4. LEGAL AND DEMOCRACY

- 4.1 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.

- 4.2 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.
- 4.3 Regulation 6 requires the Council to conduct an annual review of the effectiveness of the system of internal control required by Regulation 3; and to prepare an annual governance statement. The findings of the review of effectiveness must be considered as part of the consideration of the system of internal control referred to in paragraph 4.2 above. The Council has delegated the discharge of this function to Corporate Committee.
- 4.4 There were no further comments from Democratic Services.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 The report was independently produced, and officers and Members were consulted prior to presentation.

6. RISK MANAGEMENT

- 6.1 An inadequate and operationally ineffective internal control system can have an adverse impact on the Council's risk management processes and wider corporate governance and on quality of services for residents.
- 6.2 With regard to Risk Management, the Public Sector Internal Audit Standards (PSIAS) require Internal Audit to evaluate the effectiveness and contribute to the improvement of Risk Management processes.

7. EQUALITIES IMPACT ASSESSMENT

- 7.1 Not applicable: The nature of our work in reviewing existing policies, procedures and controls does not necessitate the completion of EIA

8. COMMUNITY SAFETY

- 8.1 Not applicable.

9. ORGANISATIONAL IMPLICATIONS

Environmental

- 9.1 None.

Health

- 9.2 None.

Corporate Parenting

- 9.3 None.

Staffing and accommodation

- 9.4 None.

Responsible Procurement

- 9.5 None.

10. TIMETABLE FOR IMPLEMENTATION

- Not applicable.

AUDIT TRAIL

Name and Position/Title	Lambeth Directorate	Date Sent	Date Received	Comments in paragraph:
Councillor Andrew Wilson	Cabinet Member for Finance & Performance	23.12.21	11.01.22	N/A
Christina Thompson, Director of Finance and Property	Finance and Investment	23.12.21	13.01.22	N/A
Andrew Pavlou, Principal Lawyer	Legal & Governance	23.12.21	10.01.22	N/A
Hamant Bharadia, Assistant Director of Finance	Finance and Investment	23.12.21	10.01.22	N/A
Chloe Morris, Democratic Services	Legal & Governance	23.12.21	04.01.22	Throughout

REPORT HISTORY

Original discussion with Cabinet Member	N/A
Report deadline	14/01/2022
Date final report sent	14/01/2022
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	NA
Date first appeared on forward plan	NA
Key decision reasons	NA
Background information	Internal Audit & Counter Fraud Plan 21/22 Accounts and Audit Regulations 2015
Appendices	Appendix A - Internal Audit and Counter Fraud Charter for 2022/23 Appendix B - Internal Audit Strategy for 2022/23