

Internal Audit and Counter Fraud Service

Effective from
1 April 2016**Internal Audit Strategy – 2016/17 - Draft**

This document explains our vision to develop a strategic approach for an agile, dynamic and innovative Internal Audit Service.

Our objective is to provide effective assurance on the higher risks during a period of significant financial challenge; whilst embracing the changing needs of stakeholders, so as to support the Council in achieving its Community Plan Outcomes.

We will demonstrate how our Internal Audit Strategy, Internal Audit Charter and the Annual Work Plan, aligns with the Council's Community Plan Outcomes.

Our key strategic documents include:

- Strategic Plan
- Internal Audit and Counter Fraud Charter
- Mission Statement
- Corporate (Audit) Committee Terms of Reference
- Annual Work Plan
- Engagement & Escalation Protocol
- Audit Manual

1.	<p>KEY COMPONENTS OF OUR INTERNAL AUDIT STRATEGY</p> <p>In line with professional standards Internal Audit will adopt five strategies to deliver a successful audit service.</p>
1.1	<p><u>Continually improve the alignment of key stakeholder's expectations with Internal Audit activities:</u></p> <p>Internal Audit recognise that it is imperative to set the tone for alignment of our activities and engagements to support stakeholder's needs.</p> <p>We will identify our advocates, neutral or negative stakeholders to better understand and allow for the diverse, complex and changing needs and expectations, so as to develop appropriate strategies to manage all expectations.</p> <p>We will maintain our independence, objectivity and credibility where stakeholder needs conflict with each other or corporate requirements during times of significant organisational change.</p>
1.2	<p><u>Assume a leadership role in coordinating the second and third lines of assurance:</u></p> <p>Internal Audit will continue to champion the education of stakeholders on the 3-Lines of assurance model, which promotes governance and management oversight responsibilities.</p>
1.3	<p><u>Deliver an annual plan that address stakeholder's critical needs:</u></p> <p>Internal Audit will demonstrate our capabilities to deliver an enhanced and valuable service. We will be agile so as to meet the Council's changing priorities, whilst also being dynamic and innovative in the way in which the service is to be delivered.</p> <p>To be most effective we will focus on the Council's critical risks and develop an appropriate balance of audit activities to achieve the Council's Community Outcomes at a time when financial constraints are critical.</p>

We will do this by delivering assurance work identified through corporate risk registers and the Council's assurance map, and by adding value through proactive advisory work. We will also expand our collaborative working approaches both internally and externally.

1.4 Develop and implement knowledge and talent-acquisition strategies:

Internal Audit will implement various strategies to develop internal skillsets, through our cross council assurance framework, our combined auditing approach and our apprenticeship opportunities.

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

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

2. PUBLIC SECTOR INTERNAL AUDIT SERVICES

Internal Audit achieve a positive an independent Review of Effectiveness in line with PSIAS.

- On 19/06/15 a report was issued and by 19/08/15 recommendations reported which were all minor observations were fully actioned.
- The Independent Assessors made reference to parts of our Audit Plan and no findings were raised.

We will maintain high professional standards and behaviours and adhere to PSIAS at all times.

As we view our Audit Manual as a dynamic document, it is subject to continuous review and update.

3. INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK (IPPF)

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



Source: IPPF

4.	<p>MISSION STATEMENT</p> <p>Internal Audit have adopted and developed the IPPF Mission Statement:</p> <ul style="list-style-type: none"> ▪ To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight, <i>and</i> to specifically support the Council successfully achieve its Community Plan Outcomes whilst operating under significant financial constraints.
5.	<p>THE COUNCIL'S COMMUNITY PLAN OUTCOMES</p> <p>Internal Audit will use the Community Outcomes as a focal point and the driver for all audit related activities.</p> <p>2013-16 overarching outcomes:</p> <ul style="list-style-type: none"> ▪ More jobs and sustainable growth ▪ Communities feel safer and more resilient ▪ Cleaner, greener streets <p><i>(To be updated when the new Community Plan is published)</i></p>
6.	<p>RESOURCE MANAGEMENT & BUDGETING</p> <p>Lambeth Internal Audit is part of a Cross Council Assurance Service with five other London Boroughs.</p> <p>An Audit Framework is in place with PricewaterhouseCoopers (PwC), with a clear vision to work in partnership to enable closer working between the internal audit functions, building skills and capacity within in-house teams, including the creation of apprenticeships, and developing a shared platform for service delivery which would enable future shared service opportunities.</p> <p><u>Internal Resource</u></p> <p>The Internal Audit structure comprises of 6 officers and 50% of a Head of Service:</p> <ul style="list-style-type: none"> 1 x Head of Internal Audit & Counter Fraud (50% Audit & 50% Counter Fraud) 1 x Internal Audit Manager 1 x Senior Auditor 2 x Auditors 2 x Audit Apprentices <p><u>External Resource</u></p> <p>£320k excluding Housing Management work, has been budgeted to PwC, Internal Audit Contractor, through the Cross Council Assurance Service (CCAS) Framework.</p> <p><u>Performance Monitoring</u></p> <ul style="list-style-type: none"> ▪ The Annual Work Plan will be agreed by Corporate Committee at assignment summary level. ▪ Individual audit assignments will be recorded in detail within in Monitoring Log created in an Excel spreadsheet. ▪ Performance will continue to be regularly monitored through contract monitoring, team and 121 meetings.
7.	<p>CRITICAL SUCCESS FACTORS.</p> <p>Internal Audit will update our Risk Assessment in line with Risk Management's recommended approach for effective risk management arrangements.</p> <p>This exercise will include a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.</p>

8.	<p>METRICS TO MEASURE INTERNAL AUDIT EFFECTIVENESS:</p> <p>Internal Audit will develop a suite of key performance indicators to; report our effectiveness, our contribution to the successful delivery of the Council's Community Outcome Plan and to promote our service profile.</p> <ol style="list-style-type: none"> Delivery of the Annual Work Plan Identification of critical risks Significant findings, exceptions and recommendations Management advice on systems of internal Reporting of the implementation of critical and high risk recommendations Post Audit Surveys Corporate Audit Committee satisfaction surveys Savings identified Income generation opportunities identified Support to key service initiatives <p>The KPIs will be designed in conjunction with partners in the cross council assurance service to enable benchmarking between authorities in the partnership.</p>
9.	<p>CORPORATE (AUDIT) COMMITTEE</p> <p>Internal Audit will support Corporate Audit Committee as a key stakeholder in accordance with their terms of reference:</p> <p>Specific Audit Functions</p> <ol style="list-style-type: none"> (1) To oversee and/or discharge on behalf of the Council the requirements of the updated Accounts and Audit Regulations 2011, 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 audit on agreed recommendations not implemented within a reasonable timescale.
10.	<p>ENGAGEMENT & ESCALATION PROTOCOL</p> <p>Internal Audit will update our Engagement & Escalation Protocol to reflect the Council's management structure to ensure that prompt responses are received to audit requests for documents and information to progress internal audit reviews and that management responses are provided in a timely manner in respect of draft audit reports issued.</p>
11.	<p>INITIATIVES & EFFICIENCY PROPOSALS</p> <ol style="list-style-type: none"> By promoting our 3-Lines of assurance model we will continue to educate all stakeholders to embed effective oversight arrangements, at all management levels.

- ii. Through Controls Optimisation we will ensure that recommendations proposed are effective and economical targeting key risks.
- iii. Through the decommissioning of JCAD Audit will reduce management resources required to systematically update progress in implementing recommendations. Good professional behaviours have been recognised with regard to officers taking responsibility for progressing agreed recommendations. We will engage directly with report owners who will be responsible for demonstrating that agreed recommendations providing effective control measures have been implemented in a timely manner.
- iv. Combined Assurance will continue to play an import part in collaborative working arrangements to drive through efficiencies in operational activities
- v. The benefits of our Assurance Map will be explained throughout the Council, so as to be used as a dynamic management tool
- vi. Risk Appetites; we will encourage these to be defined at corporate and service level. In addition, we will pilot aligning proposed recommendations to risk appetites, which will enable management to operate and deliver their services in more flexible environment.
- vii. Exception Audit reporting; this will allow for reports to be produced in shorter timeframes and provide report owners with an action plan styled report to readily focus resources.
- viii. Exception Integrated Performance Reporting; we will actively promote this initiative as it will ensure that senior management receive data which requires priority attention