

Agenda Item No: 7

Report Title: Charter for Internal Audit and Counter Fraud

Report To: Audit and Standards Committee **Date:** 22 January 2018

Ward(s) Affected: All

Report By: Head of Audit and Counter Fraud

Contact Officer

Name: David Heath

Post Title: Head of Audit and Counter Fraud

E-mail: David.Heath@lewes.gov.uk

Tel no: 01273 085157

Purpose of Report:

To present to Councillors the proposals for a revised version of the Internal Audit Charter. The new version will include the Counter Fraud service and will be applied to the shared service for Audit and Counter Fraud at Lewes District Council (LDC) and Eastbourne Borough Council (EBC).

Officers Recommendation(s):

- 1 To note the results of the review of current professional practice for Internal Audit and Counter Fraud (see paragraphs 3.1 to 3.2).
 - 2 To approve the proposed revised version of the Charter for Audit and Counter Fraud (see Appendix A).
 - 3 To note that a revised version of the Guide to Internal Audit and Counter Fraud will be added to the LDC Intranet for the guidance of staff and Councillors (see paragraphs 5.1 to 5.3).
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Reasons for Recommendations

- 1 At its meeting in March 2013, the Audit and Standards Committee approved changes to the working methods, documentation and reporting arrangements for Internal Audit that had arisen from key changes in the Public Sector Internal Audit Standards (PSIAS) 2013. The PSIAS have been updated, with new standards published in April 2017. The Head of Audit and Counter Fraud has reviewed the PSIAS for their impact on Internal Audit and Counter Fraud at Lewes, and is advising the Audit and Standards Committee of the results of the review.
- 2 The meeting of the Committee in March 2013 also examined the impact of the PSIAS on two documents - the Charter for Internal Audit and the Guide to Internal Audit. These documents have been revised to take account of PSIAS 2017, and to take account of the setting up of the shared Audit and Counter Fraud service.

Information

3 Impact of PSIAS 2017

- 3.1** The Chartered Institute of Public Finance and Accountancy (CIPFA) has, with the other governing bodies that set auditing standards for the various parts of the public sector, adopted a common set of Public Sector Internal Audit Standards (PSIAS) that applied from 1 April 2013. The standards were updated in 2016, with the impact of the new standards reported to the September 2016 meeting of the Committee.
- 3.2** The PSIAS have been updated again in 2017. The changes are not significant, being mainly concerned with clarifications to the wording in areas dealing with issues such as safeguarding the independence of Internal Audit, the monitoring of the effectiveness of Internal Audit and the role of Internal Audit in improving an organisation's governance processes. The Head of Audit and Counter Fraud believes that the changes are not sufficiently material to justify a separate report to the Committee.

4 Update of the Charter for Internal Audit

- 4.1** The formal integration of the Internal Audit and Counter Fraud Teams in EBC and LDC took place on 1 July 2017 as part of the integration of the majority of council services via the Joint Transformation Programme (JTP). The review of the PSIAS 2017 has provided the opportunity to update the Charter to introduce a common approach for the shared services at both councils.
- 4.2** Previous versions of the respective charters at both LDC and EBC covered only Internal Audit. The Counter Fraud Team (previously the Fraud Investigation Team) has been part of Internal Audit at LDC since November 2014, and the activities of the team have been covered in the standard set of reports forwarded to the Committee. The review of the PSIAS 2017 has provided the opportunity to update the Charter to include the shared Counter Fraud services for both councils.
- 4.3** A copy of the revised Charter is given at Appendix A. The contents of the Charter are divided into the following sections:
- Introduction
 - Purpose
 - Requirement for Internal Audit and Counter Fraud
 - Authorisation
 - Organisation and Relationships
 - Role and scope
 - Mission Statement and Service Objectives
 - Independence
 - Professional Standards
 - Audit Strategy and Resources
 - Reporting
 - Quality Assurance and Improvement
 - Code of Ethics for Internal Audit and Counter Fraud
- 4.4** The revised Charter reflects the wording of the PSIAS 2017 and the equivalent guidance for counter fraud work – the CIPFA Code of Practice on managing the risk of fraud and corruption.

5 Update of the Guide to Internal Audit

- 5.1** Previous versions of the Charter for Internal Audit have been summarised and simplified into a Guide to Internal Audit, which has been available on the LDC Intranet as a source of information for managers, staff and Councillors. The Guide is presented in a question and answer form, which seeks to explain what Internal Audit does and to alleviate any concerns for anyone who may not have come into contact with the service before.
- 5.2** Previously, the Guide did not cover the work of the Counter Fraud service. That situation is now being rectified, and the updated Guide will include the shared Counter Fraud services for both councils.
- 5.3** Once the Committee has approved the revised Charter, that document will form the basis of the updated Guide. A draft of the Guide has not been included with this report as it would largely represent a duplication of the Charter. The Head of Audit and Counter Fraud will advise the Committee when the updated Guide has been loaded on to the Intranet.

6 Financial Appraisal

- 6.1** There are no additional financial implications from this report.

7 Sustainability Implications

- 7.1** I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is an internal monitoring report.

8 Risk Management Implications

- 8.1** If the Audit and Standards Committee does not ensure proper oversight of the adequacy and effectiveness of the Council's systems of internal control there is a risk that key aspects of the Council's control arrangements may not comply with best practice.

9 Legal Implications

- 9.1** There are no legal implications arising from this report.

10 Equality Screening

- 10.1** This report is for information only and involves no key decisions. Therefore, screening for equality impacts is not required.

11 Background Papers

- 11.1** None

12 Appendices

- 12.1** Appendix A – Charter for Internal Audit and Counter Fraud.

Appendix B - Table of abbreviations.