

LONDON BOROUGH OF CAMDEN	WARDS All
REPORT TITLE Internal Audit Interim Report – 2022-23	
REPORT OF Executive Director Corporate Services	
FOR SUBMISSION TO Audit and Corporate Governance Committee	DATE 17 th November 2022
<p>Summary of Report</p> <p>This report provides the Committee with an update regarding the work undertaken by Internal Audit, in respect of delivery of the 2022-23 Internal Audit Plan, from 1st April 2022 to 31st October 2022.</p> <p>Local Government Act 1972 – Access to Information</p> <p>No documents that require listing were used in the production of this report.</p> <p>Contact Officer</p> <p>Nasreen Khan Head of Internal Audit, Investigations and Risk Management 5 Pancras Square London N1C 4AG Telephone: 020 7974 2211 Email: nasreen.khan@camden.gov.uk</p>	
<p>RECOMMENDATIONS</p> <p>The Committee is asked to note the report.</p>	

Signed: As agreed by the Executive Director Corporate Services

Date: 4th November 2022

1. Purpose of report

- 1.1. This report outlines the work undertaken by Internal Audit, in respect of delivery of the 2022-23 Internal Audit Plan, for the period 1st April 2022 to 31st October 2022.
- 1.2. This report is intended to support the Audit and Corporate Governance Committee (ACGC) in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by demonstrating that the Internal Audit plan is being delivered, updating on the performance of the audit function, highlighting service areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.
- 1.3. This report fulfils responsibilities under the Committee's Terms of Reference i.e.
 - To consider reports from the Head of Internal Audit (HIA) on Internal Audit's performance during the year, including the performance of external providers of Internal Audit services. These will include:
 - updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of internal audit work;
 - To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 1.4. This report details the outcomes of delivery of the 2022-23 Internal Audit Plan in Appendix 1 and outcomes of follow up reviews in Appendix 2.

2. Role of Internal Audit

- 2.1. The Council's Internal Audit function is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). A professional, independent and objective internal audit function is a key element of good governance.
- 2.2. The PSIAS defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit service is delivered pursuant to its Charter, which embodies the principles of the PSIAS. The service has remained independent in the 2022-23 year.
- 2.3. The Council's Internal Audit function operates as a shared service with the London Borough of Islington. The primary objective of the service is to provide the Council (via the ACGC) with an independent and objective appraisal on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control that supports and underpins the delivery of strategic objectives. This is achieved through the delivery of a planned programme of work (the Annual Internal Audit Plan) based on an annual

assessment of the major risks facing the Council. In addition, the service also provides consultancy and advice to management on risk and controls on an ad-hoc and proactive basis. A concerted effort is made for Internal Audit to operate independently and free from influence, and this is the case in the 2022-23 year.

- 2.4. The service operates a co-sourced service delivery model, meaning that Internal Audit services are provided by in-house staff, with a small portion of work delivered by a professional services firm, currently PwC. The service also works closely and in alignment with the Risk Management and Anti-Fraud and Investigation functions, which provides a number of benefits, including increased joint-working, collaboration, and the sharing of information and intelligence.

3. Design and delivery of the 2022-23 Internal Audit Plan

- 3.1. The service complies with the requirements of the PSIAS by ensuring that an annual risk-based audit plan is devised. The Council's robust risk management processes (and action taken to identify and articulate principal risks) ensures that a solid foundation, on which to base the Annual Internal Audit Plan, exists. The risk-based plan is devised by mapping the Council's Principal Risk Report to internal audit activity. This approach ensures that the Annual Audit Plan seeks to provide assurance that actions designed to mitigate key risks that threaten the achievement of We Make Camden objectives, are being implemented effectively. In addition to devising an annual risk-based audit plan, a rolling three-year cycle of key financial system reviews is produced. This approach ensures that there is continued assurance on the Council's key financial systems. Additionally, the audit plan also seeks to include areas in which senior management have asked for independent assurance.
- 3.2. The 2022-23 Internal Audit Plan was approved by the ACGC in March 2022. In drafting the 2022-23 Internal Audit Plan, the Autumn 2021 iteration of the Principal Risk Report was used. This ensured that key risks were incorporated into the plan.
- 3.3. In addition to the Principal Risk Report, a number of other sources of information were utilised in drafting the 2022-23 plan, including the Chartered Institute of Public Finance and Accountancy (CIPFA) good governance guidelines, an internal risk assessment, audit plans of other local authorities, and intelligence from previous internal audit and anti-fraud activity.
- 3.4. A concerted effort is made to ensure that the plan is resident focussed. Where audit reviews are undertaken in areas that do not directly impact residents, these reviews are undertaken to provide assurance on the Council's overall governance arrangements. This in-turn will ensure that Camden is in a better position to deliver its desired outcomes for residents.

4. Internal Audit assurance opinions

- 4.1. On completion of internal audit reviews, and where appropriate to do so, a statement of assurance is provided. These statements are detailed, where relevant, within Appendix 1 of this report.
- 4.2. There are four possible assurance opinions that can be provided:

No Assurance	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited Assurance	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Moderate Assurance	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Substantial Assurance	There is a sound control environment with risks to key service objectives being satisfactorily managed. Recommendations will normally only be Advice and Best Practice.

- 4.3. These conclusions are based on the number of critical and high priority risks identified in the report. The Committee ordinarily receives details of high priority recommendations raised in audit reviews which result in 'limited' or 'no' assurance opinions. There were no such instances to report since the last Committee meeting in June 2022.

5. Follow-up activity

- 5.1. Internal Audit recommendations raised following planned audit work are subject to follow-up to ensure that audit recommendations have been implemented. The level of implementation is reported to Committee bi-annually, with follow-up activity undertaken in 2022-23 summarised in Appendix 2 of this report.

6. Finance comments of the Executive Director Corporate Services

- 6.1. The Executive Director Corporate Services has been consulted and comments are incorporated within the body of the report.

7. Legal comments of the Borough Solicitor

7.1. The Borough Solicitor has been consulted and has no comments.

8. Environmental implications

8.1. There are no known environmental implications arising from this report.

9. Appendices

Appendix 1 provides an update on delivery of the 2022-23 audit plan.

Appendix 2 provides an update on follow-up activity.

REPORT ENDS