

Internal Audit Strategy 2020 to 2023

Introduction

It is a requirement of the Accounts and Audit Regulations 2015 for the Council to maintain effective internal audit that is compliant with the Public Sector Internal Audit Standards. The internal audit team currently provides audit and advisory services to the Council and Tower Hamlets Homes.

The Internal Audit Strategy sets out the medium term direction of the Internal Audit service. This three year strategy outlines what the priorities of the service will be going forward and what actions we will be taking. This strategy and the priorities we have identified will support the Council in achieving its own Strategic Plan, more specifically Priority 3, Outcome 11 – People say we continuously seek innovation and strive for excellence to embed a culture of sustainable improvement.

The strategy is supported by the Internal Audit Charter, which sets out the roles and responsibilities of internal audit, the annual Internal Audit and Fraud Prevention Plan, which details the internal audit and fraud prevention work which will be undertaken each year, as well as the Quality Assurance and Improvement Programme which outlines service development actions.

This strategy will be reviewed annually and presented to the Corporate Leadership Team and the Audit Committee for review and agreement. There are separate strategies for risk and anti-fraud.

Our Vision

To be a high performing internal audit service that supports the organisation in achieving its objectives, meets the expectations of our internal and external stakeholders, and is recognised as a critical friend and trusted advisor helping to unlock organisational improvement through better governance, risk management and internal control.

Our Mission

In line with the Public Sector Internal Audit Standards, internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Adding Value

Internal audit primarily adds value through its unique position in the organisation to provide independent assurance, advice and insight over any and all areas of operation. To ensure we add maximum value internal audit will:

- Be proactive and ensure that our activity is fully aligned to the Council's and Tower Hamlet's Home's strategic and operational objectives and their associated risks.
- Adhere to the Public Sector Internal Audit Standards and support the Council in maintaining compliance with the Accounts and Audit Regulations 2015.
- Identify notable practice, opportunities for efficiencies and lessons learned from across our audit work, and use the audit service as a means to communicate, share, and implement improvements more widely across the Council and its companies, including Tower Hamlets Homes.
- Promote and strengthen our approach to consultancy and advisory work to enable the Council and Tower Hamlets Homes to get greater benefit and insight from our expertise in governance, risk management and control.

Key Priorities

To deliver our vision and mission we have identified the following priorities:

On an annual basis we will:

- Prepare and deliver an internal audit and anti-fraud plan that is compliant with the Public Sector Internal Audit Standards and focussed on supporting the Council, Tower Hamlets Homes and the other companies in achieving their objectives and managing the associated risks.
- Provide an annual report that includes an overall opinion on the governance, risk management and control processes that both informs management and Members and supports the required Annual Governance Statement.

During 2020/21 we achieved the following:

- Ensured that internal audit generally conforms to the Public Sector Internal Audit Standards.

- Reviewed our use of audit management software and moved to paperless auditing.
- Reviewed our report template and adopted a new assurance opinion scale and risk ratings.
- Reviewed the internal audit structure, identified improvements and contributed to the Council's savings targets.
- Raised the profile and impact of internal audit with the Corporate Leadership Team, the senior management at Tower Hamlets Homes and the Council's Members.
- Provided support to the Council's Audit Committee to help the Committee discharge its responsibilities.

By the end of 2021/22 we will:

- Embed the new structure, integrating fraud prevention activity into our work, ensuring there is an appropriate and adequate level of resource and that we maximise opportunities for staff development and succession planning.
- Reduce the overall cost of the internal audit service by relying less on third parties to co-source delivery of the annual internal audit plan.
- Produce an assurance map for the Council, and where requested its companies, that identifies all substantial sources of assurance against the corporate risks.
- Implement a structured approach for sharing good practice and experience across the Council.
- Review our communications including the annual plan, individual engagement plans and reports, seek feedback and implement improvement where needed.
- Embed the new process that enables management to track the implementation of agreed management actions and report progress to the Audit Committee.
- Improve our ability to identify and respond to emerging risks that may impact on the Council, Tower Hamlet's Homes and the Council's other companies.

By the end of 2022/23 we will:

- Ensure we have been subject to an External Quality Assessment with the results reported to the Corporate Leadership Team, senior management at Tower Hamlets Homes and the Audit Committee.

Performance and Reporting

Reporting

Internal Audit currently sits within the Resources directorate reporting to the Corporate Director, Resources (Section 151 Officer). The Head of Internal Audit formally reports progress against the annual plan and other matters on a quarterly basis to the Corporate Leadership Team and the Audit Committee. In addition, the Head of Internal Audit attends the Statutory Officers meeting and informally reports progress against the internal audit annual plan as well as anti-fraud activity and investigations.

Performance

There are a number of measures internal audit utilises to measure and report performance which includes:

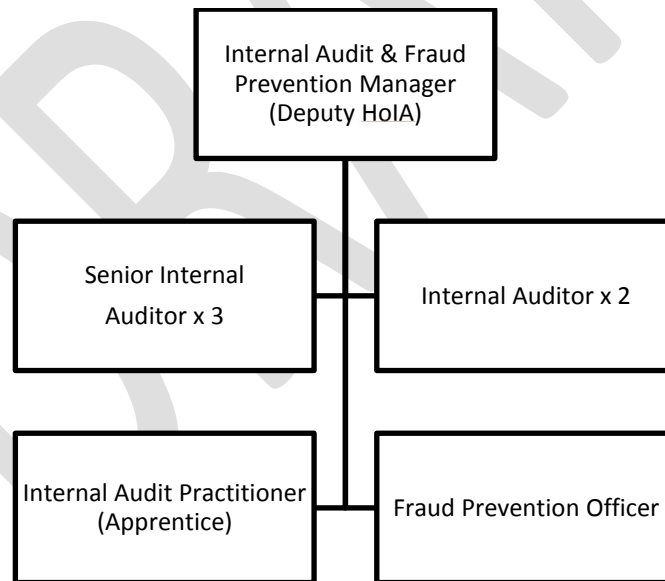
- An internal Quality Assurance and Improvement Programme that is compliant with the Public Sector Internal Audit Standards and covers every stage of an audit or advisory work.
- Annual self-assessments against the Public Sector Internal Audit Standards which, along with any resulting action plans, are reported to the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and the Audit Committee.
- External Quality Assessments against the Public Sector Internal Audit Standards undertaken every five years by an appropriately qualified, independent assessor. Outcomes are reported to the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and the Audit Committee. The next assessment is due 2022-2023.
- Key performance indicators which are reported to the Audit Committee on a quarterly basis and include:
 - % of audit plan delivered by year end.
 - % of draft reports issued within 10 days of concluding fieldwork.
 - % of final reports issued within 10 days following receipt of management's responses.
 - % of positive audit feedback
- An annual perception survey issued to the Corporate Leadership Team and Senior Management which is used to gauge the level of satisfaction and confidence in the services provided. The results are reported to the Corporate Leadership Team and the Audit Committee.

- Individual feedback forms which are issued at the end of each internal audit or advisory activity. Outcomes are reported through key performance indicators to the Audit Committee.
- Benchmarking against comparator organisations both through the Chartered Institute of Public Finance and Accountancy and/or the London Audit Group. Outcomes are reported to the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and the Audit Committee.

Resourcing

Internal audit resources must be appropriate (a good mix of knowledge, skills and competencies) sufficient (in quantity) and effectively deployed to achieve the agreed annual internal audit plan.

The current structure of the internal audit team is shown below. Led by the Head of Internal Audit, the team is comprised of a mix of experienced and professionally qualified accountants, auditors and a Fraud Prevention Officer. The team maintains its professional competency through a programme of continuous professional development.



Internal audit resources will be reviewed annually and where any resource gaps are identified a range of solutions will be considered including co-sourcing with a third-party provider, shared services and recruitment. The assessment of resources will be reported to the Corporate Leadership Team, Senior Management at Tower Hamlets Homes and Audit Committees annually.

In addition, we will undertake a full skills and competency assessment, identifying any gaps in knowledge and experience and utilise the Council's Personal Development Review process to support the continued professional development of our team.

Our Key Risks

There are risks to the success of any strategy. We will manage our risks in accordance with the Council's Risk Management Strategy. All risks will be recorded on the Council's risk management software and monitored by the Head of Internal Audit. For transparency, the significant risks facing internal audit over the coming year are:

- **Resourcing** (including succession planning). Recruiting and retaining an appropriately experienced/qualified team continues to be challenging. The current team, whilst very experienced, is mature and within the next 3 years the service may experience several retirements.
- **Budget pressure.** The Council is facing significant financial pressure and increasing demand for services. In 2020/21 delivery of the audit plan has been supplemented by a third party provider which has resulted in significantly increased cost. This level of expenditure cannot continue in the long term.
- **Loss of confidence/reputational damage.** Internal audit cannot offer absolute assurance over any service or function and therefore only offers reasonable assurance. Should a material error or fraud occur in an area previously audited it is possible that internal audit's reputation may suffer as a result.