

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 22nd July 2020

2019/20 INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	No
Relevant Head of Service	Chris Forrester, Financial and Customer Services
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- The 2019/20 Internal Audit Annual Report for the period 1st April 2019 to 31st March 2020 along with the Audit Opinion and Commentary.

2. RECOMMENDATION

2.1 **The Committee is asked to RESOLVE that the report is noted.**

3. KEY ISSUES

Financial Implications

3.1 None as a direct result of this report.

Legal Implications

3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2018 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”.

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Service / Operational Implications

- 3.3 **Appendix 1** provides a summary of allocation in respect of the 207 audit days delivered against the 230 budgeted.
- 3.4 **Appendix 2** provides a breakdown of the audits completed including the overall assurance as well as confirmation of follow up audits undertaken during the year
- 3.5 **Appendix 3** provides the 2019-20 audit opinion and commentary.
- 3.6 **Appendix 4** provides a copy of the Internal Audit Charter for WIASS.
- 3.7 **Appendix 5** provides a copy of the quality assurance improvement programme (QAIP).
- 3.8 **Dashboard:**
- | | |
|--|----------------------------|
| Target total of reviews for delivery 2019/20: | 13 (minimum) |
| Actual reviews delivered: | 19 |
| Reviews finalised to date for 2019/20: | 16 |
| Reviews currently awaiting final sign off: | 3 |
| Assurance of 'moderate' or above: | 13 |
| Assurance of 'limited' or below: | 2 |
| Reviews requiring audit work completion: | 0 |
| Number of 'High' Priority recommendations reported for year: | 9 |
| Productivity: | 81% (against targeted 74%) |
| Overall plan delivery: | 90% (against target >90%) |
| Feedback for Service | Good |
- 3.9 The Worcestershire Internal Audit Shared Service (WIASS) has achieved and delivered the 2019/2020 internal audit plan with minor revisions.
- 3.10 The Internal Audit Plan for 2019/2020 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) and reported to the Audit, Standards and Governance Committee on the 30th July 2019. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example planning, safeguarding and markets were looked at to maintain and improve its control systems

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and risk management processes or reinforce its oversight of such systems.

- 3.11 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment and process re-engineering are taken into consideration within the annual plan.
- 3.12 The purpose of the 2019/20 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its corporate purposes by reviewing the high risk areas, systems and processes,
 - Audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to inform their opinion using the work completed by Internal Audit,
 - An opinion can be formed on the adequacy of the Authority's system of internal control, which feeds into the Annual Governance Statement which is presented with the statement of accounts.
- 3.13 The Service carefully managed its resource and worked with partners to deliver the revised audit programme for Bromsgrove District Council for 2019/20 with regular updates of progress reported before Committee. The s151 Officer was kept fully briefed during the year in regard to overall progress and was instrumental in the plan variance along with enhancing the process to achieve quicker management sign off. There was also regular reporting to both SMT and CMT.
- 3.14 During 2019/20, audit reviews totalled 19. Summaries of the audit reports, plus the Auditors opinion on the effectiveness of the controls operating within those areas and an action plan containing recommendations to address the identified control weakness, have either been reported before the Audit, Standards and Governance Committee on an on-going basis throughout the year or will be reported on finalisation.
- 3.15 Based on the audits performed in accordance with the audit plan the Worcestershire Internal Audit Shared Services Manager has concluded that, on the whole, the internal control arrangements during 2019/20 effectively managed the principal risks identified in the revised audit plan but there continues to be pockets of risk within the organisation where mitigation work is continuing.

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**Annual Governance Statement ~ Assurance Checklist Statements
2019/20**

- 3.16 It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.
- 3.17 In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist, all Fourth Tier Managers were asked to complete an internal control checklist covering Strategic and Operational, Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management and Anti Fraud, Performance Management and Data Quality, Inventories and independent recommendations from outside bodies including audit.
- 3.18 Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirmed that those controls were operating effectively except where reported otherwise.
- 3.19 A review of the returned statements indicates that although work continues there are several areas where work is required to strengthen some control requirements. It is considered that those areas identified do not present a significant and material risk at this time. The areas identified in the statements will be considered as part of the audit programme. A reoccurring theme identified a lack of resources as a current or emerging area of risk.

Work of interest to the External Auditor

- 3.20 To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information. The result of the work that WIASS has performed on seven systems audits was of direct interest to External Audit. However, all audit reports are passed to the external auditor on request for their information.

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External Work

- 3.21 The work to deliver the ICT work for Worcestershire County Council audit contract was completed during 2019/20. This contract has been extended for a further three years.

Follow Up Audits

- 3.22 A summary of audit follow ups for the year is provided as part of Appendix 2. This area of work is undertaken to ensure that potential risks to the authority are mitigated. The outcome of this work is reported on an exceptions basis. There have been no exceptions reported to the Committee during 2019/20. Follow ups, and any exceptions, will continue to be reported but the number of additional visits to ensure points are satisfied is continuing to decrease compared with the previous years. From April 2020 onwards the full report is planned to be presented before Committee rather than a summary position.

Quality Measures

- 3.23 Managers are asked to provide feedback in regard to systems audits that have taken place by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned along with anecdotal evidence during the year shows very high satisfaction with the audit product – see **Appendix 2**.
- 3.24 To further assist the Committee with their assurance of the overall delivery and that Worcestershire Internal Audit Shared Service conforms to the Public Sector Internal Audit Standards (as amended). All staff work to a given methodology and have access to the internal audit reference material and charter which are updated regularly to reflect the requirements of the standards and the changing environment that WIASS is auditing in. A copy of the Audit Charter is included at **Appendix 4** for information.

Independence and Safeguards

- 3.25 Worcestershire Internal Audit Shared Service Internal Audit activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and unrestricted access to senior management and the Chair of the Audit, Standards and Governance Committee.

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- 3.26 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. Staff work to a given methodology and have access to the internal audit reference material and Charter which have been updated to reflect the requirements of the standards. The Charter is included as part of this report at **Appendix 4**. Where WIASS provide assistance with the preparation of areas of work such as risk management there are clear safeguards in place to ensure independence is not compromised. Safeguards include review within the audit service by an independent person to those who have completed the work as well as independent scrutiny by the Executive Director – Finance and Resources of the authority. Audit Committee can also challenge the reported findings and the minutes would record this.
- 3.27 The Client Officer Group which is the management board for the Service is made up of partner s151 Officers. They meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan as well as actively promoting the continuous improvement of the Service. Further improvement has been identified through the self assessment process which was carried out in April 2019 and a quality assurance improvement plan (QAIP) was formulated and implemented during the year. This is reported for information at **Appendix 5**.

Risk Management

- 3.28 Heads of Service periodically provide Risk Management updates before the Audit Committee for consideration along with verbal updates from the Financial Services Manager to provide assurance. Development of the risk management system continues under the Directorship of the Executive Director – Finance and Resources.

Assurance Sources

- 3.29 We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

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Other Operational Work

- 3.30 Work is continuing in respect of the National Fraud Initiative (NFI) exercise. Appropriate action is being taken and work is progressing to identify any potential fraudulent activity for example overpayment for housing benefits, income support, etc. The last significant data extract was during 2018/19 and the results continue to be worked on. A further data upload took place in December 2019 for single person discount and Election data. A further significant upload of data is scheduled for December 2020.

COVID-19 Pandemic Impact 2019/20

- 3.31 The majority of the revised 2019/20 plan was completed prior to the COVID-19 pandemic lockdown in March 2020. Loose ends were completed and some draft and final reports were issued during the lockdown period. Three 2019/20 reviews that did not take place were Risk Management, Procurement and Waste – Scalability of Service. All feature in the 2020/21 plan.

Customer / Equalities and Diversity Implications

- 3.31 There are no implications arising out of this report.

4. RISK MANAGEMENT

The main risks associated with the details included in this report are.

- Non-compliance with statutory requirements.

5. APPENDICES

- Appendix 1 ~ Delivery against plan 2019/20
- Appendix 2 ~ Audits completed with assurance for 2019/20 and audit follow up work
- Appendix 3 ~ Audit Opinion and Commentary
- Appendix 4 ~ Internal Audit Charter
- Appendix 5 ~ Quality Assurance Improvement Programme (QAIP)

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6. BACKGROUND PAPERS

None.

7. Key

N/a

AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2019/20
1st April 2019 to 31st March 2020

Audit Area	2019/20 PLANNED DAYS	2019/20 DAYS USED
Core Financial Systems (see note 1)	52	52
Corporate Audits (see note 4)	50	41
Other Systems Audits (see note 2 and 4)	92	81
TOTAL	194	174
Audit Management Meetings	15	16
Corporate Meetings / Reading	5	5
Annual Plans, Reports and Audit Committee support	16	12
Other chargeable (see note 3)		
TOTAL	36	33
TOTAL (see note 4)	230	207

Note:

Days are rounded to the nearest whole.

Note 1: Core Financial Systems were audited using a rolling programme throughout the year in order to provide a larger sample to maximise the assurance provided for Annual Governance Statement and Statement of Accounts.

Note 2: Budgets contained in this area include draw down/contingency budgets which by their nature may or may not be used e.g. fraud and special investigations, consultancy and advisory.

Note 3: 'Other chargeable' days equate to times where there has been significant disruption to the ICT provision resulting in lost productivity.

Note 4: The small variation in planned days to actual days was due to a combination of factors including the Covid-19 lockdown.

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Performance against Key Performance Indicators 2019-2020

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2019/20. Other key performance indicators link to overall governance requirements of Bromsgrove District Council e.g. KPI 4 to KPI 6.

	KPI	Trend/Target requirement	2018/19 Year End Position	2019/20 Year End Position		Frequency of Reporting
Operational						
1	No. of audits achieved during the year	Per target	Target = 13 (minimum) Delivered = 17	Target = 13 (minimum) Delivered = 19 (incl. 3 in draft)	😊	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	98%	90%	😐	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	67%	81%	😊	When Audit Committee convene
Monitoring & Governance						
4	No. of 'high' priority recommendations	Downward (minimal)	16	8	😊	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	10	7	😊	When Audit Committee convene
6	'Follow Up' results (Using 2017/18 reviews onward)	Management action plan implementation date exceeded (nil)	1	0	😊	When Audit Committee convene
Customer Satisfaction						
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	4x issued 3x returned 'excellent' 1x awaited	6x issued 4x returned 'excellent' 2 awaited	😊	When Audit Committee convene

WIASS conforms to the Public Sector Internal Audit Standards as amended.

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Appendix 2

**Audit Opinion Summary Analysis ~
Audits completed during financial year 2019/2020:**

Audit Report / Title	Final Report issued	Assurance
Worcestershire Regulatory Services	14 th April 2020	Significant
National Non Domestic Rates	11 th March 2020	Significant
Debtors	10 th March 2020	Significant
Creditors	26 th February 2020	Significant
Council Tax	6 th February 2020	Significant
Bereavement Services	24 th September 2019	Significant
Planning Application Process: Planning Applications S106 Contributions	4 th February 2020	Significant / Moderate
Main Ledger	11 th March 2020	Moderate
Safeguarding	5 th March 2020	Moderate
SLM	7 th January 2020	Moderate
Compliments and Complaints	6 th December 2019	Moderate
Treasury Management	18 th October 2020	Moderate
Document Retention Policies	5 th November 2019	Limited
Markets	6 th September 2019	Limited
Bulky Waste	1 st July 2020	Critical Review
Health and Safety (Hybrid)	17 th February 2020	Follow Up Hybrid
Business Continuity	20 th April 2020(D)	Moderate (D)
Benefits (Hybrid)	25 th March 2020(D)	Follow Up Hybrid (D)
ICT	4 th March 2020(D)	Critical Review (D)
Note: (D) = draft report but no variance expected.		
Follow Up Audits:		
Audit Area	Latest Date for Follow Up	Position
Equality and Diversity 2014/15	September 2018	Satisfied
On /Off Street Parking 2018/19	December 2019	Ongoing
Health and Safety	February 2020	Satisfied
All core financial audits		

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Summary of 2019/20 Audit Assurance Levels from 19 audits.

Number of Audits	Assurance	Overall % (rounded)
0	Full	0%
7	Significant	37%
6	Moderate	32%
2	Limited	10%
0	No	0%
0	To be confirmed	0%
4	Critical Friend/Hybrid	21%

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report via a feedback questionnaire. Sometimes this is reported back verbally rather than in the written form. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2019/20 financial year has been received indicating that:

- the auditee was happy with the process and format of the audits. This continues to be further developed.
- anecdotal evidence indicates a high satisfaction rate with the audit product from the data received.

Comments received included:

- [The Auditor] was able to grasp the processes and complexities very quickly.
- [The Auditor] was able to carry on with little assistance from me in accessing things.
- Common sense was used and practicality considered.

Overall Conclusions:

- The 2019/20 Internal Audit Plan as agreed by the Audit Committee on the 30th July 2019 along with any subsequent revisions has been delivered.
- 69% of the audits undertaken for 2019/20 which have received an assurance allocated returned an assurance of 'moderate' or above.
- Clients are satisfied with the audit process and service from the data received.

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- Independent assurance has been brought before the Committee for consideration in respect of the finalised audits throughout 2019/20 and one exception was reported in regard to 'follow up' audit work.
- To assist the Committee to draw further assurance from the work that Internal Audit undertakes clear reference is contained in the final audit report to identify whether a direct link exists to corporate priorities and the risk register entry in connection with the audited service provision. This information has been, and will continue to be, reported to the Committee as part of the summary reporting in 2020/21.
- On-going dialogue will be maintained with the s151 Officer and the Client Officer Group. The Client Officer Group for the Internal Audit Shared Service comprises all the partners' s151 Officers whom actively encourage the on-going development of the service.

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APPENDIX 3

Audit Opinion and Commentary 2019/20

1. Overall Conclusion

- 1.1 Based on the audits performed in accordance with the approved plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2019/20 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Close monitoring of deployed measures are set to continue but the need to reduce the overall risk and work towards a better approach beyond 2019/20 will be critical to create better transparency, expectation and accountability. This will be necessary in order to ensure the District manages risk management effectively, and, ensure other areas which attracted a 'limited' assurance develop and deploy a sound control environment where there is the potential for emerging risk.

2. Risk Management Conclusion

- 2.1 The Head of Internal Audit can confirm the development of the formal risk management system is set to continue in the organisation under the Direction of the Executive Director - Finance and Resources with a view to achieving a better embedded approach in the future.

3. Audit Opinion

- 3.1 The internal audit of Bromsgrove District Council's systems and operations during 2019/20 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Standards and Governance Committee on 30th July 2019 and any subsequent revision.
- 3.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City Council for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

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- 3.3 The Internal Audit Plan for 2019/20 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk). It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
 - a number of operational systems, for example, compliments and complaints, safeguarding, markets were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 3.4 The 2019/20 internal audit plan and any revision thereto was delivered providing sufficient coverage for the s151 and the Head of Internal Audit Shared Service to form an overall opinion.
- 3.5 At the time of writing this opinion in regard to the 19 reviews that have been undertaken, 16 have been finalised and 3 at draft report stage. Areas that returned an assurance level of 'limited' included markets and document retention policies.
- 3.6 A clear management action plan has been formulated to address the issues identified in all the other audit areas along with discussion at the Corporate Management Team where 'limited' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer.
- 3.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. There were some key themes identified in some of the returns which will be picked up directly with management. A reoccurring theme reported across several Services was the impact of staff shortages. No areas of significant risk have been identified in addition to those already identified in the audit work completed.

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- 3.8 13 of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified. However, there were 2 audits allocated a 'limited' assurance which indicates weaknesses in the design and / or inconsistent application of controls potentially putting the achievement of the organisation's objectives at risk in those areas reviewed. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The two critical friend reviews that were undertaken did not provide an overall assurance but did report on potential lessons learnt. Although there remained some areas where the overall assurance fell short of 'moderate' assurance or above 2019/20 saw a slightly improved corporate picture based on the previous year results where 11 audits were 'moderate' or above and there were 6 'limited' assurance audits reported.
- 3.9 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein.

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
July 2020

APPENDIX 4



Worcestershire Internal Audit Shared Service (WIASS)

Internal Audit Charter

Bromsgrove District Council

Definitions

1. Management refers to the Chief Executive, Executive Directors, Heads of Service and Service Managers
2. Board refers to the Audit, Standards & Governance Committee

This Charter was last reviewed April 2017 and was approved by the Audit Standards & Governance Committee on 11th October 2018.

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1. Introduction

Purpose

- 1.1 The purpose of this charter is to define what Internal Audit is and explain its purpose, role and responsibilities.

Provision of Internal Audit Services

- 1.2 WIASS covers five district authorities Wychavon, Malvern Hills, Bromsgrove, Redditch and Worcester and one Fire Service, Hereford and Worcester Fire and Rescue Authority. WIASS will provide internal audit services to third parties under contractual arrangements.

Worcester City Council hosts the Shared Service provision under an on-going Administrative Collaborative Agreement. It is governed by a Client Officer Group (COG) which is made up of the district and Fire Service s151 officers each having an 'equal say'. The Client Officer Group meets approximately 4 times a year.

- 1.3 For line management matters internal audit will report to the Corporate Director of Resources (s151 Officer within Worcester City Council) and the Monitoring Officer in their prolonged absence.

2. Mission and Definition

- 2.1 Mission:

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

Additional information can be found on the local intranet site:

<https://staffroom.worcester.gov.uk/internal-audit>

- 2.2 Definition:

Internal Auditing is 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 bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3. Scope and Authority of Internal Audit Work

- 3.1 Under the Accounts and Audit Regulations 2015 No. 234 Part 2 Regulation 5:

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(1) A relevant authority must undertake 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.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation "documents and records" includes information recorded in an electronic form.

To aid compliance with Regulation 5 of the Accounts and Audit Regulations 2015, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives".

Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives.

3.2 In the course of their reviews internal audit staff, under the direction of the Head of Service, shall have authority in all partner organisations to:-

- at all reasonable times after taking account of audit requirements, enter on any partners' premises or land;
- have access to, and where internal audit deem necessary take into their possession, any records, documents and correspondence relating to any matter that is the subject of an audit;
- require and receive such explanations as may be considered necessary from any officer of the Partner regardless of their position;
- require any officer of the Partner to produce forthwith cash, stores or any other property under their control.

for the Partner in which the internal audit service is being provided.

3.3 Internal Audit work will normally include, but is not restricted to:

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- review and assess the soundness, adequacy, integrity and reliability of financial and non-financial management and performance systems, and quality of data;
 - reviewing the means of safeguarding assets;
 - examine, evaluate and report on compliance with legislation, plans, policies, procedures, laws and regulations;
 - promote and assist the Partner in the effective use of resources
 - examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Partner and recommend arrangements to address weaknesses as appropriate;
 - advise upon the control and risk implications of new systems or other organisational changes.
 - provide a 'critical friend' to assist services to achieve value for money
 - undertake independent investigations into allegations of fraud and irregularity in accordance with the Partner's policies and procedures and relevant legislation
 - at the specific request of management¹, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management¹ have made proper provision for resources within the annual plan
 - management understands that the work being undertaken is not internal audit work.
- 3.4 IA's remit extends across the entire control environment of the organisation and is not limited to certain aspects or elements.
- 4. Responsibility of Management¹ and of Internal Audit.**
- 4.1 At all times internal audit will operate in accordance with the partner's Constitution and legal requirements and all internal audit staff will adhere to recognised Professional Standards and Codes of Conduct and Ethics e.g. the Institute of Internal Auditors' and/or CIPFA as well as the Partner's Codes of Conduct and Anti-Fraud and Corruption Policies.
- 4.2 It is the responsibility of Management to put in place adequate controls to ensure systems meet their objectives and that they are notified without delay of any instances where systems are failing to operate properly. However, where there has been, or there are grounds to suspect that there is risk of a

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- serious breakdown in a significant system, the Head of Service should be informed of the problem and any counter measures already in hand or proposed, as quickly as possible, in order that the Head of Internal Audit Shared Service can decide whether audit involvement is needed.
- 4.3 Similarly, it is the responsibility of Management to put in place adequate controls to prevent and detect fraud, irregularities, waste of resource, etc. Internal Audit will assist Management to effectively manage these risks. However, no level of controls can guarantee that fraud and the like will not occur even when the controls are performed diligently with due professional care. As a consequence all cases of actual or suspected fraud should be reported to the Head of Internal Audit Shared Service forthwith. The Head of Internal Audit Shared Service will then decide the course of action to be taken with due regard to the Partner's Constitution, e.g. Whistleblower's Charter, Stopping Fraud and Corruption Strategy, etc.
- 4.4 Any officer of a partner organisation who has genuine concerns at raising a suspected instance of fraud or malpractice through their normal reporting channels can raise the matter under the Partner's Whistleblower's Charter directly with any of the persons named in the policy document, including the Head of Internal Audit Shared Service. Head of Internal Audit Shared Service will then pursue the matter in accordance with the provisions of the policy document.
- 4.5 Internal audit is not responsible for any of the activities which it audits. WIASS will not assume responsibility for the design, installation, operation or control of procedures. However should any partner/client contract for specialist services within an area then the WIASS staff member assigned will not be asked to review any aspect of the work undertaken until two years have passed from the completion of the assignment.
- 4.6 The Head of Internal Audit Shared Service will ensure that the relevant Head of Service and/or Section 151 Officer is briefed on any matter coming to the attention of internal audit, either through a review or otherwise, that could have a material impact on the finances, create an unacceptable risk or be fraudulent for the Partner as quickly as possible, and will ensure the appropriate Officer of the Authority e.g. Director, Monitoring Officer is regularly briefed on the progress of audits having a corporate aspect. Matters involving fraud or malpractice are to be reported in line with the anti-fraud and corruption policy. The most appropriate action/engagement of the relevant Head of Service will be determined by the HoWIASS depending on the circumstances.

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- 4.7 In order to (1) maintain a broad skills base within Internal Audit and (2) maximise the ability of the team to offset the cost of providing the internal audit function to the Partner, the strategic plan will include a commitment that internal audit obtains income to the Partner from external work either from partnership working and/or selling its expertise. Such activities will be governed by targets set out in the Collaborative Administrative Agreement and will be approved and reported on to the Client Officer Group.

5. Planning and Reporting

- 5.1 To meet the objectives above, the Head of Internal Audit Shared Service shall:-
- a) prior to the beginning of each financial year, following consultation with Management¹ and after taking into account comments from Members arising from the reporting process set out below, provide the Committee with:
- a risk based audit plan forecasting which of the Partner's activities are due to receive audit attention in the next 12 months. The risk based plan will take into consideration a number of risk factors including corporate risk register, service risk register, local knowledge, corporate promises or objectives, key strategic documents e.g. five year plan and any external audit guidance. Where there is a potential difference between strategy/plan and resource this is reported to the Board²;
 - a detailed operational plan using a risk based assessment methodology showing how/what resources will be required/allocated in the coming financial year in order to meet the requirements of the Partners strategic plans. The Plans will be flexible and include a small contingency contained as part of the consultancy budget to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Head of Internal Audit Shared Service will bring to the attention of the s151 Officer if this budget is depleted so an additional contingency can be agreed. 'Consultancy', for the purposes of WIASS activity, is defined as work that is of a specialist nature and commissioned/requested in regard to an area of work activity within a service area that is in addition to the agreed partners audit plan. The work can be financial or governance based and the output will provide management¹ with challenges to consider

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depending on its nature. The approach to the assignment can be flexible but follow a similar path in regard to the methodology.

- b) during the course and at the close of each financial year provide the Board² with:
- quarterly progress reports on actual progress compared to the plan and performance indicators. Such reports to highlight serious problems, either affecting the implementation of the plan, or, in the take up of audit recommendations;
 - an annual report summarising the overall results for the year compared to the plan and pointing out any matters that will impact on internal audit's ability to meet the requirements in the strategic plan;
- c) during the course and close of each full systems/risk audit provide the client manager¹ with:
- a copy of an audit brief and audit information request setting out the objectives and scope of the audit prior to commencement of the audit and a confirmation of resource requirements for the audit.
 - draft recommendations, which will be discussed with the responsible manager¹ prior to sending the draft audit report. The manager¹ is responsible for confirming the accuracy of the audit findings and is invited to discuss the report during the 'clearance' meeting prior to the issue of the draft report.
 - an audit report containing an overview of the quality of the control system, an opinion as to the level of system assurance and detailed findings and recommendations including priority. 'Assurance', for WIASS purposes, is defined as the determination of an overall outcome against a predetermined criteria leading to an applied level giving an overall summary for the work audited.
- d) shortly after the close of each financial year provide for the purposes of the Annual Governance Statement:
- an annual audit opinion of the Partner's system of controls based on the audit work performed during the year in accordance with the plans at 5.1(a) above and reported in accordance with 5.1(b) and (c) above and on the assurance methodology adopted, and, a statement of conformance with the Public Sector Internal Audit Standards and the results of quality assurance and improvement programme.

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5.2 Expectations of Clients:

Managers and staff should co-operate with the Auditors, and responses should be made to draft reports as outlined at 3 above. Responses should include an action plan, dates for action and responsibility where actions are delegated. The final 'High' and 'Medium' recommendations will be reported to the Board².

5.3 Audit reports will be drawn up following the internal audit report framework. A matrix type report displaying audit findings, risks and recommendations along with a column for management comments, as per 5.1(c), will be provided to management¹. The report will also contain an introduction and priority categories for each of the recommendations. A covering report will be attached to the matrix providing details of the partner organisation, circulation, audit scope and objectives, an audit opinion, an executive summary and an audit assurance rating as well as a clear indication of what action is required by management.

5.4 Upon completion of audits, the audit exceptions will be discussed with the relevant line manager and will form the basis of the draft audit reports. The draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings and content. Managers are invited to contact the Auditor if they wish to discuss the report and asked to show their response in the form of an action plan to each recommendation on the draft report. For accepted recommendations, dates for action or implementation are recorded. The managers' responses are recorded in the final reports that are issued to the appropriate Management¹ officers as deemed relevant for the audit.

5.5 In accordance with professional standards, after three/six months from the date of issue of the final report, follow-up audits are undertaken to ensure that the agreed recommendations and action plans have been implemented, or, are in the process of being implemented. A formal follow up procedure / methodology is used to follow up audit reports and reported on an exceptions basis.

5.6 Internal Audit works to the reporting quality standards of:

- draft audit reports to be issued within 5 working days of the clearance meeting;
- management responses received within 10 working days;
- final audit reports to be issued within 5 working days of the final discussions of the draft audit report and receipt of management responses;

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- final reports to be followed-up initially within 3 to 6 months of the date issue of the final audit report depending on the recommendation priority and residual risk, to ensure that the accepted recommendations due for implementation have been established.
- 5.7 Escalation for late or non return of audit reports will be instigated when after two requests the reports have not been provided by management. The escalation will commence with the s151 Officer being informed of the late return. If the report remains outstanding then the Board² will be informed of the inaction with a view to them calling in the Officer to justify the late return.

6. 7 Principles of Public Life and how WIASS interprets and applies them.

1. Selflessness - protecting the public purse and ensuring all actions taken are solely in the public interest.

2. Integrity - completely independent and above undue bias or influence in the work that we do.

3. Objectivity – demonstrate impartiality and fairness in all aspects of our work and when reporting uses only the best evidence without discrimination or bias.

4. Accountability – provide transparency and assurance holding people to account in regard to decisions and actions and provide assurance to those in governance roles.

5. Openness – to promote and ensure through good governance that decisions are taken in an open and transparent manner and no information is withheld from the public unless there are clear and lawful reasons for so doing

6. Honesty – to provide independent assurance to those in governance of confirmation of truthfulness

7. Leadership – through the audit work actively promotes and robustly supports the principles and shows a willingness to challenge poor behaviour wherever it occurs.

For further information on the principles of public life:

<https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>

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7. Core Principles for Professional Practice and how WIASS interprets and applies them.

1. Demonstrates integrity:

WIASS works independently, without influence or undue bias. The audit plan is created so that there are no conflicts of interest between the officer and the audit. Potential conflicts of interest are formally checked annually with all members of the WIASS team. Areas of risk for WIASS are identified and mitigated. Potential areas of risk include, but are not limited to, auditors re-auditing Risk Management, NFI, and Regulatory Services in consecutive years and Services that they have transferred from. Officers that have conflicts of interest, or if they are / have been working in the area of audit, will not undertake any audits in the conflicting area for a minimum of three years, safeguarding the officers and WIASS' integrity. Further protection is in place by using randomly selected testing samples and a series of independent review stages. All audit working papers, reports and findings are reviewed and if necessary challenged before being issued to the client by either the Head of Service or Team Leader.

2. Demonstrates competence and due professional care:

All reports are reviewed and signed off by either the WIASS Head of Service or Team Leader both of which are highly qualified and governed by professional institution standards. Regular 1-2-1 meetings are held with each officer to ensure progress and personal development. An "open door" culture is adopted throughout WIASS allowing all team members to ask for assistance advice and support at any time. Training (both in-house and external) is available and is provided should it be deemed relevant and appropriate by Head of Worcestershire Internal Audit Shared Service (HoWIASS) / Team Leader.

3. Is objective and free from undue influence:

Independence and safeguarding is a key element of internal audit provision. All WIASS staff are vetted via the Basic Disclosure Check, as well as making a Declaration of Interest on an annual basis declaring any potential conflicts of interest with upcoming audit programme and the partners that WIASS work with. No auditor, who has transferred from a Service, will audit that Service for a minimum of three years. The Service is organisationally independent for all Partners. Although the HoWIASS reports directly to the s151 Officers of the Partner organisations the role has direct and unrestricted access to the senior management team and Committee Chair. The Client Officer Group, who governs the Service, meets on a quarterly basis and is made up of the Partner s151 Officers. They each have an equal vote and consider the strategic

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direction of the Service as well as progress and performance. Further independence and safeguard checks are reported throughout this Charter in the form of checks, actions and process.

4. Aligns with the strategies, objectives, and risks of the organisation:
The audit plan and its content is discussed with Management¹ and s151 Officers to ensure that risks are identified; appropriate processes, systems and strategies are tested and that areas of risk are monitored and mitigated. Corporate and service risk registers are used along with corporate knowledge and the promises and objectives. Five year plans are also considered as part of the risk profiling and plan definition.
5. Is appropriately positioned and adequately resourced:
As a shared service, WIASS is hosted by Worcester City Council, but audit allocations ensure a presence in all authorities that it serves across the year. Resources are monitored and tracked throughout the annual audit plan, with forecasting used as often as possible to prevent resources becoming too stretched resulting in reduced coverage. WIASS is governed by a Client Officer Group made up from the Partner s151 Officers but also has direct access to Management¹ and the Board² Chairs. Delegated powers are used should there be any resourcing issues.
6. Demonstrates quality and continuous improvement:
Continuous monitoring of the teams performance via trackers is conducted. Quarterly and annual reports are issued to committee and board members demonstrating trends in productivity and value. Individual reviews via 1-2-1 meetings are held monthly with the Team Leader, and include personal development plans for all team members. Improvements and changes will also be made using external assessment as well as internally generated client feedback forms. A self assessment will be completed each municipal year to further provide assurance of quality and improvement. The Service is working with partners to ensure that it continues to provide a 'fit for purpose' Service by developing techniques that will complement requirements, continue to add value and work in a changing environment e.g. critical friend reviews. There is a continuous desire to ensure that the Service changes and adopts best practice methods as identified by the professional institutions e.g. IIA, CIPFA.
7. Communicates effectively
Various forms of communication are adopted (verbal, written, diagram / graph) throughout the review process by all members of the WIASS team. Continued monitoring and improvements to the methodology are conducted,

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making the report and testing documents clearer for all users. Findings are discussed verbally with management¹ prior to the issue of a formal report. Reports are issued to Officers and Committee¹ on a regular basis.

8. Provides risk-based assurance

The audit plans are risk based with reviews being classified from high to low risk. The review scope is risk based which drives the review without creating restrictions on the areas covered. All findings are rated high, medium or low risk. Risks associated with the findings are linked directly to the recommendation and the management action to mitigate it. The review risk is combined to create the overall assurance level of the audit, which will be presented to the client with explanation and reasoning in the form of a report.

9. Is insightful, proactive and future-focused

Insightful – where possible WIASS officers with relevant background experience will be assigned to conduct audits in similar fields. Continued monitoring of current “audit and fraud affairs” is distributed to all WIASS team members. A sharing of knowledge is encouraged in the Service and pre engagement research. Identification of best practice is shared amongst the authorities. Reports identify areas that are working well as well as those that require improvement. Reviews look for efficiencies and better ways of working.

Proactive – scoping meetings are held for all audits allowing for changes to the audit scope in line with changes in service delivery and legislation between annual planning and audits starting. There is also an ability to vary the plan should an emerging risk present itself using delegated powers so the audit service can be proactive in providing assurance to those in governance. Consultancy days are built into the plans to allow for pre implementation of new system/process advice.

Future-focused – The Service will scan the horizon for risks and issues that are emerging. Networking using, for example, the Midlands Audit Group is used to help inform the audit plans and consultancy assignments to provide information to the partners before it becomes a potential issue for them.

Monitoring of the next generation initiatives from Central Government and having a team of auditors aware of the potential risks and impact along with environmental control issues will assist in adding value for our partners.

10. Promotes organisational improvement

Ethics and culture are key aspects to organisation improvement. WIASS reviews consider ethical and cultural aspects and the potential impact and associated risk. Liaison with s151 Officers, Senior Management Teams and governance boards where applicable to promote continuous organisational

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development. Audit Reports are issued to management¹ to ensure oversight of the organisation and areas of concern including common themes are looked at and improved on. High and Medium priority findings are followed up after a 3 or 6 month period respectively using an established methodology to ensure that potential risks are being mitigated and there is continuous improvement. Findings will be followed up until such time that they are satisfied. Follow up on findings will be documented and reported to Management, Heads of Service and or the appropriate s151 to give assurance of action and risk mitigation.

For further information please reference:

<https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Core-Principles-for-the-Professional-Practice-of-Internal-Auditing.aspx>

8. External Relationships

8.1 The main contacts are with:

- Institute of Internal Auditors
- External Auditors
- Local Authorities in the Worcestershire area
- Local Authorities in the Midlands area
- Organisations within the Exeter Benchmarking Group
- CIPFA (publishers of the systems based auditing control matrices written by Exeter IA section)
- National Fraud Initiative via DCLG and Cabinet Office

But may include other external parties as necessary.

8.2 Assurance will be accepted and reported from 3rd parties as long as WIASS can rely on their work and they are suitably qualified to carry out the assessment. The relevance of the work will also be a consideration in using a 3rd party certification e.g. IT integrity testing.

8.3 Where work is undertaken on a contractual basis assurance will be provided to 3rd parties outside of the partnership as appropriately agreed. The methodology applied to audit 3rd party organisations will be the same as the methodology used for the members of the partnership. All of the safeguards used to protect the integrity of the audits carried out for the partnership will

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be extended to 3rd parties as well and appropriate reporting protocols established as part of any contractual agreement. These will be established as part of the engagement with a clearly identified engagement officer and requirements. No contract will be entered into if it is considered that the independence or integrity of the Service will be compromised. If, during the delivery of a contract, it becomes apparent that there is undue influence being brought to bare and/or that the actions of the client is undermining the ethos of internal audit the HoWIASS will inform the Client Officer Group without delay so a strategic decision can be made to avoid any potential reputational damage or compromised independence. Any assurances provided to 3rd Parties will be based on the established internal methodology and the defined definitions of the different levels and priorities.

Notes

- a) In the absence of the Head of Internal Audit Shared Service all provisions relating to him/her above will apply to the relevant Team Leader in accordance with the duties allocated by the Head of Internal Audit Shared Service.

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Version Control:	Date of Change	Action	Updated by
1.0	2 nd March 2012	Charter for WIASS	AB
2.0	9 th August 2012	Update to Charter	AB
3.0	23 rd April 2013	Update to Charter re. International Standards	AB
4.0	21 st Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 st July 2016	Update re. titles and definition of 'consultancy' and 'assurance'.	AB
6.0	April 2017	Full review in line with Standards	HT
7.0	May 2017	COG suggestion: Update of H&WFRS name to reflect legal entity & 'Council's' to 'Partners'.	HT
8.0	June/July 2018	External Assessment recommendations: Update to Mission & Definition Inclusion of 3.4, IA remit Update to 4.6 regarding HIASS responsibility on briefing Inclusion of 5.7, escalation for late and non return audit reports Inclusion of 6 – Principle of Public Life Inclusion of 7 – Core Principles of Public Practice Inclusion of 8.2, assurance from 3 rd Parties Inclusion of 8.3, assurance to 3 rd Parties	HG, AB, HT

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Appendix 5

Quality Assurance Improvement Plan for 2019/20.

Action No.	Area to be actioned	Outcome required	Action	To be undertaken by:	Targeted date to be completed	Position as at 31st March 2020
1	1112 - Safeguarding Independence	Formal reporting to Client Officer Group (COG) confirming if there are, or are not, any conflicts of interest with the plan. This is to be done on an annual basis following the annual 'Declaration of Interest' (DOI) from WIASS Staff	Inform COG of DOI on the 2019/20 Plan	Head of Internal Audit	4 th July 2019 due to postponed COG meeting in June 2019.	Completed September 2019
2	1320 - Inclusion of QAIP in Annual Reports	Following the development of the QAIP, this needs to be added to the annual reports for all partners	Update annual reports to include QAIP	Head of Internal Audit	Approx. August 2019 (dependent on Partner Committee date)	Completed September 2019
3	2240 - Approving Work prior to starting	Develop a process where by we can QA the testing programme prior to testing being undertaken, and to ensure that a formal sign off has taken place by either Head of Internal Audit or Team Leader	Engage with staff via Team Meetings to agree a process and to adjust the methodology to reflect the initial sign off prior to the testing commencing.	Audit Team Leader	Dec-19	Completed March 2020
4	2420 - Timely Completion of Stages	To make improvements in line with completing all stages of audits in a timely manner.	Stage monitoring will be picked up via 1-2-1's and the report monitoring will be picked up with the Audit Tracker "Response" tab (and discussed in 1-2-1's).	Audit Team Leader	Immediate implementation with ongoing monitoring throughout the year	Completed March 2020
5	2430 / 2450 – Use of 'Conducted in Conformance with International Standards for the Professional Practice of Internal Auditing (ISPPIA).	Include the QAIP in the annual report for all patterns, which will then allow us to quote the conformance to ISPPIA.	Include the QAIP in the partner annual reports.	Head of Internal Audit	Approx. August 2019 (dependent on Partner committee dates)	Completed September 2019