BROMSGROVE DISTRICT COUNCIL

Date: 21st July 2022

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

2021/22 INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter, Interim Head of Finance and Customer Services
Report Author	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: andy.bromage@worcester.gov.uk Contact Tel: 01905 722051
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management Underpins all the Strategic Purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Standards & Governance Committee recommend:-

1) the report is noted.

2. BACKGROUND

2.1 The involvement of Member's in progress monitoring is considered an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.

2.2 This section of the report provides commentary on Internal Audit's plan delivery for the period 01st April 2021 to 31st March 2022 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

Summary Dashboard 2021/22:

Total reviews planned for 2021/22	12 (minimum)
Reviews reported on for 2021/22:	14 (incl. WRS but not Main Ledger)
Assurance of 'limited' or below:	4
Reviews awaiting final sign off:	0
Reviews ongoing:	0
Follow Ups reported during 2021/22:	4
Number of 'High' Priority recommendations reported:	3
Productivity: (yearly average)	58%
Revised overall plan delivery:	93% (against target >90%)

2.3 The Worcestershire Internal Audit Shared Service (WIASS) has delivered the 2021/2022 revised internal audit plan.

2.4 The Internal Audit Plan 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 & Governance Committee for approval on 15th July 2021. 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, vehicle fuelling process(housing), asbestos handling, gas certification, procurement and projects were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

2.5 In accordance with best practice the plan was subject to review during the year to ensure that identified changes, for example, external influences, risk assessment, process re-engineering and transformation were taken into consideration during the year.

2.6 The purpose of the 2021/22 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:

- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
- The 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 place reliance on the work completed by Internal Audit,
- An opinion can be formed on the adequacy of the Authority's system of internal control (reported in Appendix 3), which feeds into the Annual Governance Statement which is presented with the statement of accounts.

Resource Management.

2.7 2021/22 was a difficult year as the emergence from the Covid-19 pandemic continued. The plan for 2021/22 remained very flexible. The core financial areas of the business along with several systems reviews were undertaken and reported on. A variation to the plan was necessary which saw a couple of reviews deferred e.g. refuse scalability and ICT. ICT was deferred to allow resource to continue to deploy better security protection for the systems. These adjustments were agreed with the Head of Finance and Customer Services and the s151 Officer.

2.8 The Service carefully managed its resource and worked with partners to deliver the revised audit programme for Bromsgrove District Council for 2021/22 with regular updates of progress reported before Committee. The s151 Officer was kept briefed during the year regarding 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.

2.9 During 2021/22, audit reviews totalled 14 and full audit reports were provided before Committee containing the Auditors opinion on the effectiveness of the controls operating within those areas. The action plans containing recommendations to address the identified control weaknesses were also reported.

2.10 Based on the audits performed in accordance with the revised audit plan the Worcestershire Internal Audit Shared Services Manager has concluded that, generally, the internal control arrangements during 2021/22 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 required.

Annual Governance Statement ~ Assurance Checklist Statements 2021/22

2.11 It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.

2.12 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.

2.13 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 when reported otherwise.

2.14 A review of the returned statements identified the following themes:

- The lack of financial monitoring throughout the year, training and guidance on the new financial system. There was acknowledgement there was pressure on the Finance team due to lack of resources and that things were improving at the end of the year with promised improved guidance and with the production of monitoring reports from March 2022.

- The national shortage of skilled and specialist staff which had resulted in staff shortages in some areas. (Planning, Worcester Regulatory Service, HGV mechanics)
- Service 'Risk Champions' were being mentioned and the fact that these will now be keeping risks up to date, but, generally it was concluded that risks are shared and embedded within the services.

Work of interest to the External Auditor

2.15 To try to reduce duplication of effort the importance of working with the External Auditors is clearly understood. The audit plan is shared with the external auditors for information. The results of the work performed on seven systems audits is of direct interest to External Audit and reports are passed to the external auditor on request for their information. Internal Audit has worked closely with External Audit regarding the risk the new financial systems have created.

Follow Up Audits

2.16 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 exception basis. There have been no exceptions reported to the Committee during 2021/22. 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. The full reports have been presented before Committee rather than a summary position to aid context and transparency.

Quality Measures

2.17 Managers are asked to provide feedback regarding 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 a very high satisfaction with the audit product – see Appendix 2.

2.18 To further assist the Committee with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conforms to 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

2.19 Worcestershire Internal Audit Shared Service 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, Governance and Standards Committee.

2.20 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 assisted with the preparation of areas of work such as risk management there were clear safeguards in place to ensure independence was 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 of Finance and Resource (s151 Officer). Audit Committee can also challenge the reported findings and the minutes would record this.

2.21 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 was identified through the self assessment process which was carried out in August 2020 and a quality assurance improvement plan (QAIP) was formulated. All actions were complete by the end of 2021/22. This is reported for information at Appendix 5.

Assurance Sources

2.22 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 seek to place reliance on such work thus increasing the internal audit assurance coverage e.g. ICT ethical hacking.

Other Operational Work

2.23 Work is continuing in respect of the National Fraud Initiative (NFI) exercise. Appropriate action is being taken and work is progressing to identify any potentially fraudulent activity for example overpayment for housing benefits, income support, etc. The last significant data extract was December 2021 and the results continue to be worked on. A further upload of data is scheduled for December 2022. WIASS continue with a coordinating role regarding this process.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising out of this report.

4. LEGAL IMPLICATIONS

4.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2018 to "maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control".

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

5.1 Good governance along with risk management underpin all the Corporate strategic purposes. This report provides an independent assurance over certain aspects of the Council's operations and the internal control environment.

Climate Change Implications

5.2 The actions proposed do not have a direct impact on climate change implications.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

6.1 There are no implications arising out of this report.

Operational Implications

6.2 There are no new operational implications arising from this report.

7. RISK MANAGEMENT

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

- Insufficient completion of the programme of audit work within the financial year leading to an inability to produce an annual opinion; and,

- a continuous provision of an internal audit service is not maintained.

7.2 Heads of Service have periodically provided risk management updates before the Audit, Governance and Standards Committee for consideration along with verbal updates from the Head of Finance and Customer Services to provide assurance. Development of the risk management system continues under the directorship of the Executive Director of Finance and Resources (s151 Officer).

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ Internal Audit Plan 2021/22
Appendix 2 ~ Performance indicators 2021/22
Appendix 3 ~ Audit Opinion and commentary 2021/22
Appendix 4 ~ Internal Audit Charter for WIASS
Appendix 5 ~ Quality Assurance Improvement Plan

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AUDIT, STANDARDS & GOVERNANCE COMMITTEE

APPENDIX 1

Internal Audit Plan for 2021/22 Delivery
1st April 2021 to 31st March 2022

Audit Area	2021/22 Plan Days	Actual Days to 31st March 2022
Core Financial Systems (see note 1)	68	64
Corporate Audits	62	65
Other Systems Audits (see note 2)	64	55
SUB TOTAL	**194**	**184**
Audit Management Meetings	15	15
Corporate Meetings / Reading	5	6
Annual Plans, Reports and Audit Committee Support	16	9
Other chargeable (see note 3)		
SUB TOTAL	**36**	**30**
TOTAL	**230**	**214**

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year end. A rolling programme was introduced for Debtors and Creditors to maximise coverage and sample size, but internal audit has been unable to deliver this during 2021/22 due to restricted system access. Partial access was provided during September 2021 with further access established during December 2021. The overall results were reported during Q4.

Note 2: Several budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters potentially resulting in unallocated days. 2 reviews were deferred late in Q4 which impacted on the overall Systems days delivered.

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

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Appendix 2

PERFORMANCE INDICATORS 2021/22

The success or otherwise of the Internal Audit Shared Service was measured against some of the following key performance indicators for 2021/22. Other key performance indicators link to overall governance requirements of Bromsgrove District Council e.g. KPI 4 to 6. The position was reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement/Direction of Travel	2021/22 Position (as of 31st March 2022)		Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = 12 Delivered 14		When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	93%		When Audit Committee convene
3	Service productivity	Positive direction year on year	58% (2020/21 average 62%)		When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward (minimal)	3 (2020/21 = 4)		When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	7 (2020/21 = 6)		When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (Nil)	1 (2020/21 = 0)		When Audit Committee convene
Customer Satisfaction					
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	1x issued 1x Excellent 2020/21 1x Excellent		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 2021/2022:

Audit Report / Title	Final Report issued	Assurance
Strategic Acquisitions	13th October 2021	Significant
Treasury Management	5th January 2022	Significant
Benefits	19th May 2022	Significant
Council Tax	20th May 2022	Significant
National Non-Domestic Rates	20th May 2022	Significant
Grants	30th May 2022	Significant
Worcester Regulatory Services	15th October 2021	Significant
Projects	9th September 2021	Moderate
GDPR (electronic data security)	5th November 2021	Moderate
Creditors	6th May 2022	Moderate
Debtors	13th June 2022	Limited
Budget Monitoring	13th June 2022	Limited
Procurement	15th June 2022	Limited
Risk Management	22nd March 2022	No
Main Ledger	No report issued as issues relating to the new system implementation identified	
Disabled Facilities Grant on behalf of Worcestershire County Council		
Follow Up Area	**Date of Follow Up Report**	**Overall Position**
Planning Applications (2nd Follow Up)	8th June 2021	Implemented
Safeguarding Children (3rd follow Up with Senior Officer intervention)	20th September 2021	Implemented
Document Retention	29th September 2021	Partially implemented
Compliments and Complaints (2nd Follow Up)	30th September 2021	Implemented

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Summary of 2021/22 Audit Assurance Levels.

2021/22	Number of Audits	Assurance	Overall % (Rounded)
From 14 audits	0	Full	0%
	7	Significant	50%
	3	Moderate	21%
	3	Limited	21%
	1	No	8%
	0	To be confirmed	0%
	0	Critical Review / hybrid / N/a	0%

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2021/22 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 information received.

Comments received included:

- Internal audit was efficient, knowledgeable, open and informative.
- Engagement was positive and helpful from the initiation – very supportive

Overall Conclusions:

- The 2021/22 revised internal audit plan has been delivered.
- There remain pockets of risk within the organisation.
- 71% of the audits undertaken for 2021/22 which have received an assurance allocated returned an assurance of 'moderate' or above.
- The client satisfaction rate of the Service remains high.

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Appendix 3

Audit Opinion and Commentary 2021/22

Internal Audit: Bromsgrove District Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2021/22 was a very challenging year regarding the control environment in certain areas of the Council. Changes in the way services needed to be delivered and staff deployed saw a continuance of remote working as there continued to be an emergence from the Covid-19 pandemic. A significant number of staff leaving the Authority was also experienced which created its own challenges within certain Services e.g. Finance. The loss of staff and experience along with the implementation of a new financial system resulted in a very challenging environment. Appropriate and proportionate remote access to files and systems remained in place to ensure services could continue to be delivered during the second year of the pandemic.

1. Overall Governance Conclusion

1.1 Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2021/22 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. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2021/22 will be critical to create better transparency, expectations and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation has introduced some risks into the financial areas of the Council which have been identified as part of the audit reviews e.g. a lack of budget monitoring, no reconciliations being undertaken and limited assurance reported against several review areas including Debtors and budget monitoring. Procurement also was reported with a limited assurance. The identified risks need to be mitigated as part of the action plans to be deployed to address the identified control, weaknesses.

2. Risk Management Conclusion

2.1 The Head of Internal Audit can confirm the further development of the formal risk management system has not progressed as well as expected in the organisation under the direction of the previous Financial and Customer Services Manager with a view to achieving a better embedded approach in the future. This area has been relaunched on several occasions in recent years and has been a topic for corporate review for several years now with little traction. This has been acknowledged by the current Executive Director of Finance and Resource (s151 Officer) and a strategy agreed and launched at CMT on the 16th March 2022. The Interim Head of Financial and Customer Services is now championing risk management. A specific piece of audit work that was undertaken regarding the formulation of an expected action returned a 'no assurance' categorisation as no action plan had been agreed prior to March 2022. This assurance was associated solely to the action plan that should have been formulated and delivered during 2021/22. Risk management is present in some form in Services and there are pockets of good practice but is not corporately coordinated to allow for a joined-up view of risk from a corporate perspective. The implementation of the March 2022 action plan has buy-in from the whole of the management team and will be monitored for progress and reported before Members in the future.

3. Audit Opinion

3.1 The internal audit of Bromsgrove District Council's systems and operations during 2021/22 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 15th July 2021 and any subsequent revisions.

3.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City 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 to 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.

3.3 The Internal Audit Plan for 2021/2022 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, procurement, projects, grants, and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

3.4 The 2021/22 internal audit plan saw a small revision due to changing circumstances. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

3.5 The results of 14 reviews were taken into consideration. Areas which returned a level of 'limited' or 'no' assurance included debtors, budget monitoring, risk management action plan and procurement.

3.6 To mitigate the risk a clear management action plan has been formulated to address the issues identified in all the audit area where 'no' or 'limited' assurance was identified. There is a clear understanding that further work is required to embed risk management throughout the organisation with an action plan being formulated by the Interim Head of Finance and Customer Service and overseen by the Executive Director of Finance and Resource (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 when reported otherwise. There were some key themes identified specifically in some of the returns which will be picked up directly with management including the financial system and budget monitoring. No areas of significant risk have been identified in additional to those already identified during the year.

3.8 Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

3.9 There has been a wide spectrum of assurance applied to the reviewed areas during 2021/22. The implementation of the new finance system has created risk hotspots. This, along with a significant loss of experienced staff due to natural churn and areas of 'limited' or 'no'

assurance reviews clearly identify certain areas in the organisation that requires immediate attention to mitigate risk. Audits that 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 give some balance to the overall picture. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. No critical friend reviews were undertaken during 2021/22. It is difficult to draw a comparison with the previous year results and corporate position due to the changing position regarding the recovery from the pandemic and the implementation of the new system which has impacted the whole organisation.

3.10 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 2022

BROMSGROVE DISTRICT COUNCIL

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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 by the Audit, Standards and Standards Committee on the 15th July 2021.

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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:

(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 2018 as amended, 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:

- 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 management[1], 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 management[1] 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 Management[1] 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 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.

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 Management[1] 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 Board[2];

- 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 management[1] with challenges to consider 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 Board[2] 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 manager[1] 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 manager[1] prior to sending the draft audit report. The manager[1] 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.

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 Board[2].

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 management[1]. 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 Management[1] 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;
- 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 Board[2] 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

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 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 it's content is discussed with Management[1]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 Management[1] and the Board[2] 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, making the report and testing documents clearer for all users. Findings are discussed verbally with management[1] prior to the issue of a formal report. Reports are issued to Officers and Committee[1] 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 is 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 development. Audit Reports are issued to management[1] 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 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.

BROMSGROVE DISTRICT COUNCIL

Audit, Standards & Governance Committee
21st July 2022

Version Control:	Date of Change	Action	Updated by
1.0	2nd March 2012	Charter for WIASS	AB
2.0	9th August 2012	Update to Charter	AB
3.0	23rd April 2013	Update to Charter re. International Standards	AB
4.0	21st Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1st 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 3rd Parties Inclusion of 8.3, assurance to 3rd Parties	HG, AB, HT
9.0	June 2021	Review of Charter	AB
10.0	June 2022	Review of Charter	AB

BROMSGROVE DISTRICT COUNCIL

Audit, Standards & Governance Committee 21st July 2022

APPENDIX 5

Quality Assurance Improvement Plan.

Action Number	Area for Action and Standards Reference	Outcome Required	Action	Lead person	Target Date for completion	Position End of March 2022
1	1000	Updated Charter and Partner approval.	To review and update as appropriate, and present to COG and Partner Committees for approval.	Head of Internal Audit & Team Leader	Sep-21 (Annual Reports)	Completed 30th September 2021
2	1210.A1 - Training Requirements	Professional qualifications to be obtained.	Auditors to enhance their skills and qualifications through professional study e.g. IIA	Auditors	2023/24	Current Officer training left the Organisation. Ongoing commitment and further training offers to Officers. March 2022
3	2420 - Timely Completion of Review Stages	Improvement in issuing the 'Draft Report' to the agreed date as set out in the Brief. To make improvements in the monitoring of the management response after the issue of a Draft Report.	Monitor the issue of Draft Reports and the receipt of management response during the financial year taking appropriate and timely action where the target dates are stressed.	Auditors	Mar-22	Monitoring and review completed with new and improved process being implemented 22/23 March 2022

4	2500.A1 - Follow Up	More efficient and timely follow up regarding reported management action plans.	To review and enhance the follow up process, and monitor progress to reduce potential slippage.	Audit Team Leader	Mar-22	Monitoring and review completed with new and improved process being implemented 22/23 March 2022
5	2010.A1 - Annual Risk Assessments	More effective implementation of Annual Risk Assessments into the annual planning and use within individual audits.	To review the current process of using the annual risk assessments and how inclusion into annual planning and audit planning can be improved.	Head of Internal Audit / Audit Team Leader	Nov-20	Completed 30th November 2020

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder		July 2022
Lead Director / Head of Service		July 2022
Financial Services		July 2022
Legal Services		July 2022
Policy Team (if equalities implications apply)	N/a	July 2022
Climate Change Officer (if climate change implications apply)	N/a	July 2022