



APPENDIX 1

INTERNAL AUDIT STRATEGY

2026 - 2028

INTERNAL AUDIT STRATEGY

1. Introduction

- 1.1 The Head of Internal Audit (HOIA) oversees the Worcestershire Internal Audit Shared Service (WIASS) in accordance with the Internal Audit Charter and relevant professional internal audit standards. Under the Global Internal Audit Standards, the HOIA must have a strategy that supports the strategic objectives and priorities of our partners and aligns with the expectations of their Senior Management, the Audit Committee and other key stakeholders.

Purpose

- 1.2 Deliver independent, objective and client-focussed assurance and advisory services to our partners which enhance the effectiveness of governance, risk management and control processes so that strategic objectives are more likely to be achieved.

Vision

- 1.3 We aspire to be recognised as an efficient, effective and valued service that helps our partners to achieve their strategic objectives and remain a trusted source of assurance, advice, insight and foresight.
- 1.4 To achieve this vision, we will:
- Develop and deliver a risk-based IA plan which complies with the Institute of Internal Auditors' Global Internal Audit Standards and Public Sector Application Note.
 - Produce the statutory HOIA's annual opinion statement on the partners' internal control, risk management and corporate governance arrangements.
 - Provide progress reports to the Client Officer Group (COG) and the partner Audit Committees on a regular basis which highlight any identified significant deficiencies or potential areas for improvement in our partners' internal control, risk management and corporate governance arrangements
 - Assist and appropriately challenge the key assumptions and judgements taken by management, through IA's assurance and advisory services, to ensure they are fitting and in accordance with the relevant policies, guidelines and professional standards.

2. Alignment of Strategy with Partners' Objectives

- 2.1 A key underlying factor in developing this strategy was ensuring that the work of Internal Audit remains aligned with the strategic objectives and assurance needs of our partners. This consideration is not limited to ensuring a comprehensive understanding of our partners corporate priorities and objectives but also expands to an understanding of their operations and performance (financial and operational); the risks and issues they are

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currently facing; and those they are likely to face in the future. Consequently, in developing this strategy, we considered the following:

- The core objectives of our partners and the specific risks that can impact on the achievement of those objectives.
- The IA requirements under the Global Internal Audit Standards and Public Sector Application Note.
- Transformation priorities and ongoing changes across our partners' businesses.
- The content of our partners' risk registers and assurance frameworks to understand the risks faced and the controls in place to manage those risks.
- An analysis of the risks, strengths, weaknesses, opportunities and threats to the IA Service.

2.2 The IA Strategy will be reviewed every three years and adjusted whenever significant changes occur. Factors that may prompt a more frequent review of this strategy include significant changes to our partners' strategy, policies or legal requirements, significant stakeholder changes, or any significant findings from an assessment of the IA service.

3. Strategic Objectives

3.1 The table below sets out our strategic objectives:

Agile Planning and Delivery	Continuous Core Assurance	Expert Insight, Foresight and Advice	Lead Integrated Assurance
<p>Adopt an agile, fluid and risk-based approach to audit planning and delivery.</p> <p>Review, revise and update our programme of work at regular intervals throughout the year to respond to changing risks and priorities.</p>	<p>Identify the core systems and processes that will be scheduled for coverage on a periodic and cyclical basis, rather than a pure risk basis, with all scheduled to be covered at least once during the duration of this strategy.</p> <p>Ensure that outcomes,</p>	<p>Be proactive and engaging to promote our consultancy and advisory services.</p> <p>Ensure our involvement in major and essential transformation and change initiatives and projects.</p> <p>Report the results of significant consultancy and</p>	<p>Lead in developing an integrated assurance framework/model, including the mapping and coordinating of other sources of assurance from across our partners' business to ensure any gaps or overlaps are managed.</p> <p>Implement a joined-up, informative</p>

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Agile Planning and Delivery	Continuous Core Assurance	Expert Insight, Foresight and Advice	Lead Integrated Assurance
Enhance data, information and technology utilisation for continuous risk assessment development.	including follow-up outcomes, are reported and communicated to all stakeholders in a clear and joined-up way	<p>advisory work to the applicable Audit Committee.</p> <p>Leverage our relationships within partner institutions and external partners to enhance opportunity for benchmarking and cross Council learning.</p>	<p>approach to reporting assurance to senior management and the Audit Committees.</p> <p>Collaborate with other assurance providers to share resources, information and intelligence.</p>

3.2 The four goals set above are to guide the delivery of our service over the next three years. Nevertheless, these will be reviewed at the beginning of each financial year to assure they remain relevant and appropriate.

4. Strategy Delivery - Annual Strategic Planning

4.1 We will continue to develop annual plans in consultation with our partners' Senior Management and Audit Committees. Our planning and delivery will be more flexible and less rigid than in the past. Whilst retaining the key core assurance work, we will ensure the plan is more responsive to changing risks and challenges. To this end, the focus will be on:

- The key/core systems and processes will be reviewed on a cyclical basis with all such areas being reviewed at least once during the next 3 years. Though the plan may be flexed in reaction to significant risks and changes however, it is expected that the programme of core assurance work will remain unchanged.
- To keep pace with the changing needs and risks of our partners, the plan will be developed through several methods including assurance mapping against strategic and key inherent risks, horizon-scanning to identify emerging areas of risk, and continuous engagement with senior management.
- A portion of time each year will be retained to cater for requests from senior management for advisory and consultancy work. Consideration will be given to facilitating discussions around risks and controls, advising on design and implementation of new systems or processes, policies and procedures, and providing training.

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- Continuous attention will be given to follow ups via the established follow up process and tracking action to confirm implementation of management actions. This will provide assurance that improvements in our partners' governance, risk management and control have been implemented and embedded.

5. Assuring Value for Money and Maintaining Quality

- 5.1 We will continue to deliver the internal audit work within the established quality standards for the planning, execution and reporting. These arrangements are set out in our Quality Assurance and Improvement Policy. The report and output from the audit work will be balanced, clear, concise and constructive, and will provide an objective and independent opinion on the effectiveness and efficiency of controls. The reports will provide recommendations, where necessary, highlighting areas to provide insight and share best practices.
- 5.2 Regular reports will continue to be produced to Senior Management and Audit Committees, to provide assurance on the effectiveness and adequacy of our partners' governance, risk management and internal control arrangements. The HOIA will provide a written annual report to those charged with governance of our partners to support their Annual Governance Statements. This report will profess the statutory opinion and conclusion on the overall adequacy and effectiveness of the system of internal controls, risk management and governance arrangements
- 5.3 Key to successful delivery of this strategy largely depends on effective deployment of collective skills and resources of the IA service. The IA team will prioritise strong business continuity and succession planning. We will provide opportunities and support internal auditors to develop their competencies and maintain up to date knowledge and skills to respond to the needs of the internal audit service and changes in the professional practice of internal audit. This includes the provision of funding to enable staff to study towards relevant professional qualifications. As such, when a more senior member of staff decides to leave the organisation, an existing member of staff should be in a strong position to obtain promotion. We will continue to promote an inclusive culture – embracing diversity of thought and background in all we do to attract, develop and retain the right people in the right roles.
- 5.4 Furthermore, we will continue to collaborate with peers in other institutions who are in our partners' business for learning and improvement opportunities. We will identify priority areas for improvement through the service's quality assurance and improvement programme and specifically through individual staff 1:1s, performance reviews and performance monitoring arrangements.

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6. Challenges and Opportunities

6.1 In identifying more opportunities for improvement, we have carried out a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, as summarised in the tabled below:

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ➤ Effective processes and working methods. ➤ Well positioned in our partner organisations. ➤ Positive EQA assessment. ➤ Well-regarded profile and reputation. ➤ Supporting ongoing improvement efforts. ➤ We have a good staff training and development offer. ➤ The service has been stable and fully resourced for the last year, which compares very favourably with peer organisations. ➤ The service is performing well and building a track record of delivery. 	<ul style="list-style-type: none"> ➤ Promptness and swiftness of reporting. ➤ Historic difficulty in recruiting and retaining appropriately skilled staff. ➤ Limited use of data analytics at present. ➤ Limited capacity and capability to undertake Fraud, bribery and corruption investigation work, particularly if multiple referrals arose at the same time.
Opportunities	Threats
<ul style="list-style-type: none"> ➤ Leveraging the use of technology for audit processes. ➤ Expanding scope for internal audit including areas such as environmental, social and governance (ESG) in audit activities. ➤ Increasing collaboration with management and making impactful contributions to change programmes and initiatives. ➤ Developing staff knowledge and skillsets, including in relation to fraud investigation. ➤ Continuing performance improvements, and developing workplans, so that the service is well positioned for Local Government Reorganisation. 	<ul style="list-style-type: none"> ➤ Changes in regulations and standards creating compliance concerns. ➤ Major governance, control and fraud challenges. ➤ Competing demands and priorities. ➤ Increased difficulty in recruiting and retaining staff during the period of uncertainty created by Local Government Reorganisation.

6.2 Additionally, we continue to identify, assess and manage risks that pose threat to the achievement of our objectives through our service risk register.

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6.3 Informed by the outcomes of the SWOT assessment, the following improvements and development commitments will support the delivery of this strategy:

- To leverage technology, including the use of data analytics where appropriate.
- To design agile auditing methods and techniques, with a greater focus on prioritising testing where the level of risk, and therefore need for assurance, is greatest.
- A sustained focus on continuing professional development and preparing for Local Government Reorganisation.

7. Evaluating Success

7.1 To ensure that we remain aligned with our partners' strategic objectives, provide value to stakeholders and maintain optimal operational efficiency and effectiveness, ongoing monitoring and assessment of our work will be crucial. Consequently, the following key indicators have been set to assess performance:

Description	Narrative	Target
Delivery	% of audit days delivered by Year End	90%
Productivity	% of available time spent on chargeable audit work	85%
Effectiveness	% of agreed recommendations implemented by the target date	75%
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as "Very Good" or "Good"	80%

7.2 There are a broad number of ways any internal audit function can add value to an organisation, including levels of engagement and requests for advice or consultancy work, the rate and level of the implementation of recommendations, and stakeholders feedback. Nevertheless, relying exclusively on KPIs will not give a true reflection of the value added by internal audit in a more holistic manner. As a result, in addition to the above KPIs, we also aim to:

- Obtain consistent and formal feedback from Client Officer Group (COG) and Audit Committees.
- Pinpoint areas and instances where the work of internal audit has facilitated notable improvements in processes and controls.
- Highlight any aspects and occasions where the work of internal audit has resulted to considerable savings and/ or income generation.