

## **Report of the Internal Auditor**

### **Internal Audit Annual Report 2016/17**

#### **Purpose of Report**

1. To provide the Committee with:
    - the overall results in terms of meeting Internal Audit's (IA's) objectives as set out in the internal audit plan for 2016/2017,
    - an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment.
    - an updated internal audit charter.
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#### **Recommendation**

***The Treasurer recommends that the Committee note that audit plan delivered in 2016/17 has provided an assurance level of “full” for the core financial areas and two key areas for improvement, and, approve the Internal Audit Charter.***

#### **Introduction and Background**

2. The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority under Regulation 5 of the Accounts and Audit (England) Regulations 2015. This includes considering, where appropriate, the need for controls to prevent and detect fraudulent activity. These should also be reviewed to ensure that they are effective. This duty has been delegated to the Treasurer, and, Internal Audit was provided by Worcestershire Internal Audit Shared Service (WIASS). Management is responsible for the system of internal control and should set in place policies and procedures to ensure that the system is functioning correctly. The Authority is required to publish an Annual Governance Statement to accompany the accounts by the 30<sup>th</sup> September. 2016/17 saw Hereford and Worcester Fire and Rescue Authority become a full partner within the Internal Audit Shared Service from 1<sup>st</sup> April.

#### **Objectives of Internal Audit**

3. The Chartered Institute of Public Finance and Accounts (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom defines internal audit as: “an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation’s objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resource”.

## **Internal Audit**

### **Aims of Internal Audit**

4. The objectives of WIASS are to:
  - Examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Fire Service and recommend arrangements to address weaknesses as appropriate;
  - Examine, evaluate and report on arrangements to ensure compliance with legislation and the Fire Service's objectives, policies and procedures.
  - Examine, evaluate and report on procedures that the Fire Service's assets and interests are adequately protected and effectively managed.
  - Undertake independent investigations into allegations of fraud and irregularity in accordance with Fire Service's policies and procedures and relevant legislation.
  - Advise upon the control and risk implications of new systems or other organisational changes.
5. WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards 2013.
6. 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 reducing the internal audit coverage as required.
7. To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan was shared with the external auditors for information.

### **Summary of the prime features**

#### **2016/2017 Key Internal Audit planned Inputs for WIASS**

8. A summary of the position is provided at Appendix 1

#### **2016/2017 Key Internal Audit planned Outputs for WIASS**

9. During 2016/17 Internal Audit was required to:
  - Complete twelve systems audits (including critical friend reviews) of which four needed to suitably assist the External Auditor reach their "opinion". An additional piece of work was also undertaken at the behest of the Treasurer, and, two reviews were merged.

- provide sufficient audit resources for other operational areas which assist the Fire Service maintaining/improving its control systems and risk management processes or implementing / reinforcing its oversight of such systems, i.e. provide an on-going consultancy to managers on internal control, for example where system changes are being made;
  - meet Internal Audit's external work requirements;
  - achieve a benchmark of delivery for 2016/2017 of all audits as agreed in the operational programme as agreed at the July 2016 Committee.
10. The majority of audits, on completion, are assigned an assurance using a predefined definition and all reported recommendations are given a priority. The audit assurance and recommendation priority is agreed with Management before the final report is published. An example of the assurance and priority definitions is provided at Appendix 2 for information.

### **Productive Work**

11. During 2016/2017 there were 131 productive audit days delivered by WIASS against an overall budget of 111 days including the days that have been delivered during April and May 2017 to finalise reports and complete the plan as a whole. The 131 days included the additional work in regard of the CARE Scheme. Appendix 1 gives a break down of the annual budgeted days for systems work. WIASS has achieved what was required according to the 2016/2017 audit plan and completed all audits to final report stage. The appendix shows for each audit report the overall assurance attained as well as providing an overall assurance analysis. Appendix 2 provides an explanation of assurance categorisation. The overall assurance that has been attributed to the various areas that have been audited in regard to the 2016/17 programme reflects the fact there have been four 'high' priority recommendations to report. Due to the nature of the Technical Fire Safety and Training reviews it was decided to merge them into one piece of work.
12. Consultancy, advice and guidance are demand led activities and can fluctuate from year to year but have been contained within the agreed budget.
13. Follow up in respect of audits provided to the Fire and Rescue Service have continued and were included as part of the 2016/17 audit programme and have been undertaken during the past twelve months for example ICT (March 2017), as well as the core financial reviews.
14. Internal audit has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2016/17 financial year so that an internal audit opinion can be reached, and, support External Audit by carrying out reviews in support of the accounts opinion work.

## **Work of interest to the External Auditor**

15. The results of the work that we performed on four systems audits during 2016/17 was of direct interest to External Audit. Audit reports are passed to the external auditor on request for their information and for them to inform their opinion.
16. Dialogue continues with the External Auditor to ensure that the IA work will continue to provide the assurance they seek at an acceptable standard.

## **Quality Measures – internal**

17. Managers are asked to provide feedback on systems audits as the audit progresses. Comments have been received from a number of Managers who have expressed their appreciation of the audit approach and the fact that it will assist them to add value to their service area. Feedback has predominantly been immediately forthcoming from the appropriate Managers, however, a questionnaire is available/provided where a more formal response is required. WIASS analyse the returns during the year to ensure that the audit programme continues to add value. The Treasurer, Chief Accountant and External Audit have also confirmed a high satisfaction with the audit product during discussions with the Head of Internal Audit.
18. WIASS internal audit activity is organisationally independent. Internal Audit reports to the Treasurer but has a direct and unrestricted access to senior management and the Audit Committee Chair if required.
19. Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. WIASS staff work to a given methodology and have access to the internal audit manual and Charter which has been updated to reflect the requirements of the standards and is included at Appendix 4.
20. The Client Officer Group (i.e. management board) meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan and promote continuous improvement of the Service.
21. To further assist the Committee with their assurance of the overall delivery WIASS conforms to the Public Sector Internal Audit Standards 2013.
22. Appendix 3 provides the audit opinion and commentary which provides further assurance to the Committee.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	H&WFRS have joined the Shared Service as a full partner from April 2016. The financial details are not fully detailed in this report.
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None There are legal issues e.g. joining as a partner in the shared service required consideration but are not fully detailed in this report.
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	Yes, whole report.
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	N/A – no policy change is recommended
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	N/A

## Supporting Information

**Appendix 1 – Internal Audit Plan for the Fire & Rescue Service 2016/17**

**Appendix 2 – Audit Reports 2016/17**

**Appendix 3 – Audit Opinion and Commentary for 2016/17**

### Contact Officer

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## Appendix 1

### INTERNAL AUDIT PLAN FOR THE FIRE & RESCUE SERVICE 2016/17

Audit Area	Planned Days 2016/17	Overall Assurance	Audit completed
<b>Accountancy &amp; Finance Systems</b>			
Main Ledger (incl. Budgetary Control & Bank Rec)	8	Full	Completed Dec 2016
Creditors	8	Full	Completed Dec 2016
Debtors	5	Full	Completed Dec 2016
Payroll & Pensions (incl. GARTAN)	13	Full	Completed Dec 2016
VAT	3	Full	Completed Jan 2017
<b>SUB TOTAL</b>	<b>37</b>		
<b>Corporate Governance (incl Health &amp; Safety arrangements)</b>			
Corporate Governance (AGS)	10	Full	Completed Nov 2016
ICT Audit	10	Critical Friend	Completed July 2017
<b>System / Management Arrangements</b>			
Safeguarding	8	Limited	Completed April 2017
*Training Centre	8	*Critical Friend	Completed April 2017
Property & Asset Mngt(Client Side)	9	Moderate	Completed May 2017
Fees and Charges (Value for Money)	5	Critical Friend	Completed April 2017
*Technical Fire Safety (Commercial)	8	*Critical Friend	Completed April 2017
<b>SUB TOTAL</b>	<b>58</b>		
<b>General</b>			
Follow up 2014/15 & 2015/16 Reviews	5	N/A	Q1 to Q4 inclusive
Advice, Guidance, Consultation, Investigations	2	N/A	Q1 to Q4 inclusive
Audit Cttee Support	5	N/A	Q1 to Q4 inclusive
Reports & Meetings	4	N/A	Q1 to Q4 inclusive
<b>SUB TOTAL</b>	<b>16</b>		
<b>TOTAL BUDGETED DAYS</b>	<b>111</b>		
<b>TOTAL DELIVERED</b>	<b>131</b>		

Note: GAD has been not included ~ conformity to be provided by Worcestershire County Council.

\* These reviews were 'merged' into a single piece of work.

In addition to the plan above there was an additional review in regard to the Pensions to ensure the CARE system is operating satisfactorily. Assurance outcome for this review was 'limited'.

### Summary of 2016/17 Audit Assurance Levels

2016/17	Number of Fire and Rescue Service Audits	Assurance	Overall % (rounded)
From 12 reviews  (inclusive of the extra review and the merging of 2)	6	Full	50%
	0	Significant	0%
	1	Moderate	8%
	2	Limited	17%
	0	No	0%
	0	To be finalised i.e. remains at clearance	0%
	3	Critical Friend	25%

Note:

Follow Up, Advice, Audit Committee Support and management reporting areas are not included in the above figures.

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### Overall Conclusion:

- 83% of the finalised audits undertaken for 2016/17 which have been allocated an assurance returned a level of moderate or above. This figure includes the 'critical friend' reviews.
- Managers and the Treasurer are satisfied with the audit process and service delivery from the feedback received from them.

## Appendix 2

### Audit Reports 2016/17

#### Definition of Audit Opinion Levels of Assurance

Opinion	Definition
<b>Full Assurance</b>	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>



### **Definition of Priority of Recommendations**

<b>Priority</b>	<b>Definition</b>
<b>H</b>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
<b>M</b>	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
<b>L</b>	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

**Audit Opinion and Commentary for 2016/17**

**Hereford and Worcester Fire and Rescue Authority  
Commentary and Audit Opinion 2016/17**

1. Internal Audit: Hereford and Worcester Fire and Rescue Authority's responsibility for maintaining an adequate and effective internal audit function is set out in Regulation 5 of the Accounts and Audit (England) Regulations 2015.
2. The Internal Audit function is provided by the Worcestershire Internal Audit Shared Service (WIASS) which was set up as a shared service in 2010/11, and hosted by Worcester City for 5 district councils and the Fire and Rescue Service. 2016/17 was the first year Hereford and Worcester Fire and Rescue Authority became a full voting member of the shared service. The shared service operates in accordance with, and conforms to, the Public Sector Internal Audit Standards 2013. It objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Fire and Rescue Authority objectives and contributes to the proper, economic and effective use of resources.
3. The Internal Audit Plan was agreed with External Audit, the Treasurer and s151 Officer and was approved by the Audit and Standards Committee on the 4<sup>th</sup> July 2016. It included:
  - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion'
  - other corporate systems for example governance and risk management.
4. Based on the audits performed by WIASS in accordance with the approved audit plan the Head of Internal Audit Shared Service can report that the Hereford and Worcester Fire and Rescue Authority governance framework arrangements during 2016/2017 have provided assurance outturns of 'full' in regard to the core financial areas along with mixed assurances in regard to other operational aspects.
5. 'Full' to 'moderate' assurance essentially provides 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.
6. Two areas reviewed as part of the 2016/2017 plan recorded 'limited' assurance, namely Safeguarding and the CARE Scheme. Outstanding issues were being addressed as part of the process of continuous improvement and clear management actions plans had been agreed, where appropriate, for the review areas.

7. It should be noted that as part of the risk based approach WIASS delivered all the audits expected in the 2016/17 plan.
8. In relation to the twelve reviews that have been undertaken all have been completed and discussed with management with reports issued in finalised form. Risk management continues to feature prominently with regular reports continuing to be brought before the Committee. Work continues to ensure that it becomes fully embedded throughout the organisation.
9. The Head of Internal Audit Shared Service has concluded that although not all the reviews returned a 'moderate' or above assurance internal control arrangements during 2016/2017 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Fire and Rescue Authority corporate objectives have been met. In two areas of the work WIASS carried out in support of the 2016/2017 plan it identified some fundamental weaknesses but these are actively being addressed by management. As a result of the findings four 'high' priority recommendations were reported to committee in regard to 2016/2017 audits.
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**  
July 2017



# **Worcestershire Internal Audit Shared Service (WIASS)**

## **Internal Audit Charter**

### **Hereford and Worcester Fire and Rescue Authority**

#### **Definitions**

1. Management refers to the Chief Fire Officer, Deputy Chief Fire Officer, Assistant Chief Fire Officer/Directors and Area Commanders/Heads of Service.
2. Board refers to the Audit & Standards Committee

This Charter was last reviewed April 2017 and was approved by the Audit & Standards Committee on 5<sup>th</sup> July 2017

## **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 also provides internal audit services to Place Partnership Limited.  
Worcester City Council hosts the Shared Service provision under an on-going Administrative Collaborative Agreement. It is governed by a Client Officer Group 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. Definition**

- 2.1 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 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 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<sup>1</sup>, 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<sup>1</sup> have made proper provision for resources within the annual plan
  - management understand that the work being undertaken is not internal audit work.

**4. Responsibility of Management<sup>1</sup> 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 Section 151 Officer is briefed on any matter coming to the attention of internal audit that could have a material impact on the finances of 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 should be reported to an appropriate Officer of the Authority e.g. Managing Director, Chief Executive, Director, Monitoring Officer and Section 151 Officer (except where the latter may involve the Managing Director, Chief Executive, Director, Monitoring Officer and/or the Section 151 Officer when the Head of Internal Audit Shared Service for the Worcestershire Internal Audit Shared Service will brief the Chairman of the Board<sup>1</sup> and/or Leader of the Partner on the position and agree the way forward in accordance with Financial Regulations).
- 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<sup>1</sup> 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 and provide a basis of a three year strategic plan. A key responsibility of the Head of Internal Audit Shared Service is to ensure all core activities receive attention at least once every 3 years with higher risk areas receiving more frequent attention, at the same time meeting the requirements of the latest appointed External Auditor guidance, whereby internal and external audit should work in partnership. Also, where there is a potential difference between strategy/plan and resource that this is reported to the Board<sup>2</sup>;
    - 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<sup>1</sup> with challenges to consider depending on it's 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<sup>2</sup> 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<sup>1</sup> 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<sup>1</sup> prior to sending the draft audit report. The manager<sup>1</sup> 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<sup>2</sup>.

## 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<sup>1</sup>. 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 organization, circulation, audit scope and objectives, an audit opinion and executive summary and an audit assurance rating as well as a clear indication of



what action is required by management. Also included in the report will be the definition of audit opinion levels of assurance and definitions of priority of recommendations.

- 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<sup>1</sup> 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. A follow up is then undertaken every three months to coincide with the Board<sup>2</sup> cycle so progress reporting is timely.
- 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.

## **6. External Relationships**

- 6.1 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.

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## **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.

Version Control:	Date of Change	Action	Updated by
1.0	2 <sup>nd</sup> March 2012	Charter for WIASS	AB
2.0	9 <sup>th</sup> August 2012	Update to Charter	AB
3.0	23 <sup>rd</sup> April 2013	Update to Charter re. International Standards	AB
4.0	21 <sup>st</sup> Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 <sup>st</sup> 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