

## Report of the Internal Auditor

### Internal Audit Annual Report 2020/21

#### 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 2020/2021,
    - an audit opinion and commentary on the overall adequacy and effectiveness of the internal control environment.
    - a copy of the current internal audit charter.
- 

#### Recommendation

***The Treasurer recommends that the Committee note the Internal Audit Charter and that the audit plan delivered in 2020/21 has provided an assurance level of "full" for four core financial areas and that no limited or below assurance areas have been reported or any high priority recommendations.***

#### 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 Authority under the Accounts and Audit (England) Regulations 2018. 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 later in the year.

#### 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 as amended.

### **Assurance Sources**

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.

### **Independence and Safeguards**

7. WIASS internal audit activity is organisationally independent. Internal Audit reports to the Treasurer but has a direct and unrestricted access to the senior management team and the Audit Committee Chair. Where WIASS provide assistance with the preparation of areas of work such as Risk Management or the Annual Governance Statement there are clear safeguards in place to ensure independence is not compromised. Safeguards include review within the audit service by an independent person to those who have completed the work as well as independent scrutiny by the Treasurer of the authority. Audit Committee can also challenge the reported findings and the minutes would record this.

8. 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.

## **Risk Management**

9. Risk Management is a high profile activity due to the nature of the Authority. Regular updates have been brought before Committee and a robust and embedded risk management process exists within the Fire Authority. Regular review of the risk profile takes place with appropriate mitigation agreed and reported.

## **Summary of the prime features**

### **2020/2021 Key Internal Audit planned Inputs for WIASS**

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

### **2020/2021 Key Internal Audit planned Outputs for WIASS**

11. During 2020/21 Internal Audit was originally required to:
  - complete ten systems audits (including critical friend reviews) of which four needed to suitably assist the External Auditor reach their “opinion”.
  - 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 2020/21 of all audits as agreed in the operational programme as agreed at the 22<sup>nd</sup> January 2020 Committee.
12. Most 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. The overall assurance that has been attributed to the various areas that have been audited regarding the 2020/21 programme reflects the fact there have been no ‘high’ priority recommendations to report.

## **Productive Work**

13. During 2020/21, 90 productive audit days were delivered by WIASS against an overall budget of 111 days. The 2020/21 plan reflected the delayed start due to the COVID-19 pandemic and certain reviews were rolled to the 2021/22 plan. It has been necessary to consider all Partner plans and adjust

them where necessary. It was considered that the areas of adjustment in the Fire Authority plan would have least impact and allow the service to continue to concentrate on delivering to the residents the best service provision without distraction. Areas identified and rolled over were Safeguarding and Young Fire Fighters. 2020/21 also saw an increase in the overall time frame to deliver audits due to remote working, teleconferencing or alternative means whereas prior to this a simple and brief conversation alongside an Officers desk or in passing would have sufficed. Priority was given to potentially higher risk areas and financial audits. The 2020/21 plan remained very flexible, but the core financial areas of the business were completed and reported on. Committee was continually and regularly informed of developments throughout the year and any variations to the plan were agreed by the Treasurer.

14. Consultancy, advice and guidance are demand led activities and can fluctuate from year to year but have been contained well within the agreed budget.
15. Follow up in respect of audits provided to the Fire and Rescue Service have continued and were included as part of the 2020/21 audit programme and have been undertaken during the past twelve months for example GDPR, Equality and Diversity as well as all the core financial reviews.
16. Internal audit has worked with external audit to try and avoid duplication of effort, provide adequate coverage for the 2020/21 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**

17. The results of the work that we performed on four systems audits during 2020/21 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.
18. 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**

19. Managers are asked to provide feedback on systems audits as the audit progresses. Comments have been received from several 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 forth coming from the appropriate Managers. 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, Senior Management Team and External Audit have also confirmed a high satisfaction with the audit product during discussions with the Head of the Internal Audit Shared Service.

20. Further quality control measures embedded in the service include independent individual audit reviews and regular Client Officer feedback. WIASS staff work to a given methodology and have access to reference material and the Charter which reflects the requirements of the standards. A copy of the Charter is included at Appendix 4 for information.
21. 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.
22. To further assist the Committee with their assurance of the overall delivery WIASS conforms to the Public Sector Internal Audit Standards as amended.
23. Appendix 3 provides the audit opinion and commentary which provides further assurance to the Committee.

### **Internal Audit Self Assessment**

24. As part of the compliance with the Standards, Internal Audit self-assesses to identify areas where further development can enhance the Service. The self-assessment was undertaken during August 2020 and as a result a Quality Assurance Improvement Plan (QAIP) was formulated and is reported at Appendix 5 for information. This has been a regular feature of the regular progress reports placed before Committee throughout the year.

### **Corporate Considerations**

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	H&WFRS joined the Shared Service as a full partner in April 2016. The financial details are not fully detailed in this report, but any contribution is agreed by The Treasurer who is a voting Member of the Client Officer Group.
<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).	There are legal issues e.g. joining as a partner in the shared service required consideration but are not fully detailed in this report. Internal audit provides an independent assessment of risk mitigation against corporate priorities.
<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

**FIRE & RESCUE SERVICE  
INTERNAL AUDIT PLAN FOR 2020/21**

<b>Audit Area</b>	<b>Source</b>	<b>Planned days 2020/21</b>	<b>Service</b>	<b>Comment/Outline Scoping</b>	<b>Strategy link</b>	<b>Delivery date</b>	<b>Assurance</b>
<b>Accountancy &amp; Finance Systems</b>							
Main Ledger (inc Budgetary Control & Bank Rec)	Fundamental to HWFRS CRMP delivery	<b>9</b>	Finance	Increase in days for a full system audit returning to light touch 2021/22	Resourcing for the Future	Finalised – 2 <sup>nd</sup> December 2020	Full
Creditors (a/c's payable)	Fundamental to HWFRS CRMP delivery	<b>8</b>	Finance	Increase in days for a full system audit returning to light touch 2021/22	Resourcing for the Future	Finalised – 2 <sup>nd</sup> December 2020	Full
Debtors (a/c's receivable)	Fundamental to HWFRS CRMP delivery	<b>5</b>	Finance	Increase in days for a full system audit returning to light touch 2021/22	Resourcing for the Future	Finalised – 2 <sup>nd</sup> December 2020	Full
Payroll & Pensions inc GARTAN	Fundamental to HWFRS CRMP delivery	<b>12</b>	Service Support	Full Payroll audit. ToR: to ensure everything has embedded and all scenarios have been encountered depending on Payroll procurement outcome. Pensions to include governance due to changes. (See 'Asset Management Registers' below re. potential budget reallocation).	Resourcing for the Future	Finalised – 11 <sup>th</sup> May 2021	Significant

<b>Audit Area</b>	<b>Source</b>	<b>Planned days 2020/21</b>	<b>Service</b>	<b>Comment/Outline Scoping</b>	<b>Strategy link</b>	<b>Delivery date</b>	<b>Assurance</b>
Capital Budgeting	Fundamental to HWFRS CRMP delivery	11	Finance	Full system audit. Required per prudential code. ToR: process -v- reality.	Resourcing for the Future	Finalised – 20 <sup>th</sup> May 2021	Full
<b>SUB TOTAL</b>		<b>45</b>					
<b>Corporate Governance</b>							
Key Performance Indicators	Fundamental to HWFRS CRMP delivery	11	Service Support	Critical friend review to consider why the KPI's are useful, process of capture, interpretation, consistency, and the strategic alliance reporting and outcomes. Underpins everything HWFRS report on and are changing.	Fire & Rescue Authority	Finalised – 18 <sup>th</sup> December 2020	N/a – Critical Friend Review
<b>SUB TOTAL</b>		<b>11</b>					
<b>System / Management Arrangements</b>							
Young Fire Fighters & Volunteering	Identified risk and priority area	-	All	Potential for reputational risk, cost and value added requirements. Focus will be Droitwich as Redditch has closed. ToR: to be agreed at commencement of review.	Fire & Rescue Authority	Rolled to 2021/22 Plan	N/a
Safeguarding	Priority area	-	All	Continuing risk associated with this area of the business. Last looked at 2016/17. ToR: Corporate ownership and embedded responsibilities.	Fire & Rescue Authority	Rolled to 2021/22 Plan	N/a
Charge cards	Potential for emerging risk	8	Finance	Cards limited to certain requirements but looking to extend the number of card holders which has the potential to increase the	Resourcing for the Future & Services	Finalised – 26 <sup>th</sup> April 2021	Full

<b>Audit Area</b>	<b>Source</b>	<b>Planned days 2020/21</b>	<b>Service</b>	<b>Comment/Outline Scoping</b>	<b>Strategy link</b>	<b>Delivery date</b>	<b>Assurance</b>
				risk. ToR: good governance re. process and practice.			
Asset Management Registers	Fundamental to HWFRS CRMP delivery	<b>10</b>	Service Support	ToR: consistency with finance asset list and whether the same information is reported. Potential budget to come from unused Payroll (i.e. contingency depending on payroll procurement outcome 2020/21).	Fire & Rescue Authority	Finalised – 26 <sup>th</sup> April 2021	Full
<b>SUB TOTAL</b>		<b>18</b>					
Follow up Reviews	Good Governance	<b>5</b>	All	Good governance and best practice	N/a	Q1 – Q4 inclusive	
Advice, Guidance, Consultation, Investigations	N/a	<b>2</b>	N/a	Contingency and pull down	N/a	Q1 – Q4 inclusive	
Audit Cttee support, reports and meetings	N/a	<b>9</b>	N/a	Delivery Support requirement	N/a	Q1 – Q4 inclusive	
<b>SUB TOTAL</b>		<b>16</b>					
<b>TOTAL CHARGEABLE</b>		<b>90</b>					

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

## Summary of 2020/21 Audit Assurance Levels

2020/21	Number of Fire and Rescue Service Audits	Assurance	Overall % (rounded)
From 10 reviews	6	Full	60%
	1	Significant	10%
	Nil	Moderate	0
	Nil	Limited	0
	Nil	No	0
	Nil	To be finalised	0
	1	Critical Friend	10%
	2	Deferred to 21/22	20%

**Note:**

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

---

### Overall Conclusion:

- 70% of the finalised audits undertaken for 2020/21 which have been allocated an assurance returned a level of significant or above. An ICT audit that bridged 2019/20 and 2020/21 was also finalised but not included in this year's plan statistics.
- Managers and the Treasurer are satisfied with the audit process and service delivery from the feedback received from them.

## Audit Reports 2020/21

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>

### Hereford and Worcester Fire and Rescue Authority Commentary and Audit Opinion 2020/21

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 the Accounts and Audit (England) Regulations 2018.
2. Due to the global COVID-19 pandemic, 2020/21 was a very challenging year regarding governance. Changes in the way services needed to be delivered and staff deployed saw a move away from traditional office-based working to flexible and remote working. This created many challenges with a move to an almost total reliance on back office ICT solutions for those staff having to work from home during the pandemic lockdowns. This created some real challenges to ensure the services could continue to be delivered during the national lockdowns and subsequent restrictions during the pandemic.

#### Overall Governance Conclusion

3. Based on the audits performed against the 2020/21 audit plan, the Head of Internal Audit Shared Service has concluded although not all audits have achieved full assurance the lack of serious shortcomings found in the range of audits carried out indicates that the Hereford and Worcester Fire and Rescue Service internal control arrangements throughout the pandemic and the changing environment are generally adequate and have effectively managed the principal risks identified by management as part of the pandemic response and the audit plan and can be reasonably relied upon to ensure that the Authority's corporate objectives have been met.

#### Risk Management Conclusion

4. The Head of Internal Audit can confirm the development of formal risk management systems was sustained during the year and risk management continues to feature prominently throughout the activities of the Fire Authority.
5. The corporate risk register was updated and the Audit Committee have received the necessary updates on key risks. Updates will continue to be made regularly to the Audit Committee. The link between risk identification and control is of fundamental interest to internal auditors, although the responsibility for controlling the risk itself rests firmly with line managers, who must ensure that appropriate controls are considered to mitigate the identified risks.

#### Findings

6. 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 as amended. 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.

7. 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 22<sup>nd</sup> January 2020. This was prior to the declaration of the global COVID-19 pandemic. 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 embedding of national operational guidance, equality and diversity and communication and engagement strategy.
8. Due to the pandemic the plan was reconsidered during May 2020 and a revised risk-based plan emerged for auditing to commence from June 2020 onwards. The core financial audits were targeted along with a couple of areas which were considered to potentially attract more risk. Regular updates regarding these reviews were reported before the Audit Committee during the year. Two reviews, Safeguarding and Young Fire Fighters were rolled to 2021/22. Based on the audits performed by WIASS in accordance with the approved and revised audit plan the Head of Internal Audit Shared Service can report that the Hereford and Worcester Fire and Rescue Authority governance framework arrangements during 2020/2021 six have provided assurance outturns of 'full' in regard to four core financial areas along with 'full' and 'significant' assurances in regard to other operational aspects. There were no 'moderate' 'limited' or below assurances reported.
9. '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.
10. In relation to the planned ten reviews during 2020/21, two were deferred to 2021/22 and eight have been finalised.
11. 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 those charged with the responsibility of governance with a reasonable assurance based on the audits performed in accordance with the approved plan and revisions thereto and the scoping therein with the backdrop of exceptional circumstances with the global pandemic and the necessity to move away from traditional office based protocols to remote working.

**Andy Bromage**

**Head of Worcestershire Internal Audit Shared Service**

June 2021



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

## **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 by the Audit and Standards Committee on the 29<sup>th</sup> July 2020.

## **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<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 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<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 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<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 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<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 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<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 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<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 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<sup>2</sup> 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<sup>1</sup> 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<sup>1</sup> and the Board<sup>2</sup> 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<sup>1</sup> prior to the issue of a formal report. Reports are issued to Officers and Committee<sup>1</sup> on a regular basis.
  
8. Provides risk-based assurance:  
The audit plans are risk based with reviews being classified from high to low risk. The review scope is risk based which drives the review without creating restrictions on the areas covered. All findings are rated high, medium or low risk. Risks associated with the findings are linked directly to the recommendation and the management action to mitigate it. The review risk is combined to create the overall assurance level of the audit, which will be presented to the client with explanation and reasoning in the form of a report.
  
9. Is insightful, proactive and future-focused:  
Insightful – where possible WIASS officers with relevant background experience will be assigned to conduct audits in similar fields. Continued monitoring of current “audit and fraud affairs” is distributed to all WIASS team members. A sharing of knowledge is encouraged in the Service and pre-engagement research. Identification of best practice is shared amongst the authorities. Reports identify areas that are working well as well as those that require improvement. Reviews look for efficiencies and better ways of working.  
Proactive – scoping meetings are held for all audits allowing for changes to the audit scope in line with changes in service delivery and legislation between annual planning and audits starting. There is also an ability to vary the plan should an emerging risk present itself using delegated powers so the audit service can be proactive in providing assurance to those in governance. Consultancy days are built into the plans to allow for pre implementation of new system/process advice.  
Future-focused – The Service will scan the horizon for risks and issues that are emerging. Networking using, for example, the Midlands Audit Group is used to help inform the audit plans and consultancy assignments to provide information to the partners before it becomes a potential issue for them. Monitoring of the next generation initiatives from Central Government and having a team of auditors aware of the potential risks and impact along with environmental control issues will assist in adding value for our partners.
  
10. Promotes organisational improvement:  
Ethics and culture are key aspects to organisation improvement. WIASS reviews consider ethical and cultural aspects and the potential impact and associated risk. Liaison with s151 Officers, Senior Management Teams and governance boards where applicable to promote continuous organisational development. Audit Reports are issued to management<sup>1</sup> 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 3<sup>rd</sup> 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 3<sup>rd</sup> party certification e.g. IT integrity testing.

8.3 Where work is undertaken on a contractual basis assurance will be provided to 3<sup>rd</sup> parties outside of the partnership as appropriately agreed. The methodology applied to audit 3<sup>rd</sup> 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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.

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
8.0	June/July 2018	External Assessment recommendations: Update to Mission & Definition Inclusion of 3.4, IA remit Update to 4.6 regarding HIASS responsibility on briefing Inclusion of 5.7, escalation for late and non return audit reports Inclusion of 6 – Principle of Public Life Inclusion of 7 – Core Principles of Public Practice Inclusion of 8.2, assurance from 3 <sup>rd</sup> Parties Inclusion of 8.3, assurance to 3 <sup>rd</sup> Parties	HG, AB, HT
9.0	June 2021	Review of Charter	AB

**Appendix 5**

**Quality Assurance Improvement Plan 2020/21 onwards.**

<b>Action Number</b>	<b>Area for Action and Standards Reference</b>	<b>Outcome Required</b>	<b>Action</b>	<b>Lead person</b>	<b>Target Date for completion</b>	<b>Date of Completion</b>	<b>Latest Position</b>
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)	Ongoing	Presented to Committee July 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	Ongoing	March 2021: An Auditor is undertaking IIA training.
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	Ongoing	March 2021: Extended deadline due to the impact of the pandemic and the new normal. Ongoing monitored
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	Sept-22	Ongoing	March 2021: Extended deadline due to the impact of the pandemic and the new normal Being monitored and discussed as 1:2:1s
5	2010.A1 - Annual Risk Assessments	More effective implementation of Annual Risk Assessments into	To review the current process of using the annual risk assessments and	Head of Internal Audit / Audit Team	Nov-20	Complete 30 <sup>th</sup> November 2020	All office risk assessments have been reviewed. Risk assessments

		the annual planning and use within individual audits.	how inclusion into annual planning and audit planning can be improved.	Leader			have been drafted for COVID associated office risks when visiting Partner offices. Home risk assessments have been completed. Actions identified have been completed.
--	--	---	--	--------	--	--	---