

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

INTERNAL AUDIT - ANNUAL REPORT 2017/18

Relevant Portfolio Holder	Councillor Tom Baker-Price
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester ~ Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the Internal Audit Annual Report for 2017/18;
- the 2017/18 Head of Worcestershire Internal Audit Shared Services annual opinion on the overall adequacy of the Council's internal control environment (Appendix 3), and,
- Internal Audit Charter (Appendix 4)

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

3.2 The Council is required under Regulation 5 of the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Service/Operational Implications

3.3 This report provides an overview of the utilisation of Internal Audit resources during 2017/18.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

- 3.4 Appendix 1 shows during 2017/2018 there were 349 productive audit days used against a budget of 400.
- 3.5 Appendix 2 provides a breakdown of the audits completed and the overall assurance.
- 3.6 The Worcestershire Internal Audit Shared Service has achieved and delivered the 2017/2018 audit plan with some minor revisions.
- 3.7 For 2017/18 the Annual Audit Plan was approved by the Audit, Governance and Standards Committee on 27th April 2017. The Internal Audit Plan was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example, Disabled Facilities Grants, Waste Management, Palace Theatre, Golf Course and Elections were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 3.8 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment, process re-engineering and transformation are taken into consideration within the annual plan.
- 3.9 The purpose of the 2017/18 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
 - The audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit,
 - An opinion can be formed on the adequacy of the Authority's system of internal control (reported in Appendix 3), which feeds into the Annual Governance Statement which is presented with the statement of accounts.
- 3.10 2017/18 was a very demanding year for the internal audit team with a significant churn of team members during quarter 4. The Service has

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

carefully managed its resource and worked with partners to deliver the revised audit programme for Redditch Borough Council for 2017/18 with regular updates of progress reported before Committee. The s151 Officer was kept briefed during the year in regard to overall progress and was instrumental in the plan variance.

Quality Measures

- 3.11 Managers are asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned along with anecdotal evidence during the year shows a very high satisfaction with the audit product – see Appendix 2.
- 3.12 To further assist the Committee with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conforms to Public Sector Internal Audit Standards 2013.
- 3.13 During 2017/18, 20 final audit reports and 3 draft reports have been issued, along with a continuation of a substantial and lengthy investigation. Summaries of the audit reports, plus the Auditors opinion on the effectiveness of the controls operating within those areas and an action plan containing recommendations to address the identified control weakness, have either been reported to the Audit, Governance and Standards Committee on an on-going basis throughout the year or will be reported on finalisation.
- 3.14 Based on the audits performed in accordance with the audit plan the Worcestershire Internal Audit Shared Services Manager has concluded that, on the whole, the internal control arrangements during 2017/18 effectively managed the principal risks identified in the revised audit plan. There is a pocket of risk within the organisation where mitigation work is continuing.

Independence and Safeguards

- 3.15 Worcestershire Internal Audit Shared Service activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and unrestricted access to senior management and the Chair of the Audit, Governance and Standards Committee.
- 3.16 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. All staff work to a given methodology and have access to the internal audit reference material and Charter. The Audit Charter (Appendix 4) is brought before Committee for information.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

- 3.17 The shared service management board, the Client Officer Group, meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan, and, actively promote continuous improvement.

Risk Management

- 3.18 Heads of Service provide regular Risk Management updates before the Audit Committee for consideration along with verbal updates from the Financial Services Manager to provide assurance.

Assurance Sources

- 3.19 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

Annual Governance Statement ~ Assurance Checklist Statements 2017/18

- 3.20 It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.
- 3.21 In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist, all Fourth Tier Managers were asked to complete an internal control checklist covering Strategic and Operational, Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management and Anti Fraud, Performance Management and Data Quality, Inventories and independent recommendations from outside bodies including audit.
- 3.22 Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirmed that those controls were operating effectively except where reported otherwise.
- 3.23 All of the Annual Governance Statement Assurance Checklist Statements have been returned. Review of the returned statements indicates that although work continues to strengthen some control requirements they did not identify any areas that present a significant and material risk. Several of the questionnaires did, however, flag a lack of resources as a potential area of risk.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

Work of interest to the External Auditor

- 3.24 To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information. The results of the work that we perform on five systems audits will be of direct interest to External Audit. Audit reports are passed to the external auditor on request for their information.

External Work

- 3.25 The work to deliver the Place Partnership Ltd internal audit contract was predominantly completed during 2017/18 with only management responses awaited in order to finalise the audits.

Follow Up Work

- 3.26 An on going programme of 'follow up' in regard to the implementation of audit report recommendations continued during 2017/18. The outcome of the 'follow up' work is reported to the Committee on an exception basis as part of the progress reports. During 2017/18 there have been no exceptions to report. Although there have been a number of occasions where additional follow up visits have been required as the recommendations have not been fully implemented the position has shown much improvement compared with the previous 12 months. The 'follow up' audit work undertaken during 2017/18 has been reported in Appendix 2.

Other external Work

- 3.27 Work is continuing in respect of the NFI exercise. Appropriate action is being taken and work is progressing to identify any potential fraudulent activity for example overpayment for housing benefits, income support, etc. This is a biennial exercise. The last significant data extract was during 2016/17 and continues to be worked on. The next is scheduled for December 2018.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

- Non-compliance with statutory requirements

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

5. APPENDICES

- Appendix 1 Delivery against plan 2017/18
- Appendix 2 Audits completed with Assurance 2017/18
- Appendix 3 Head of Internal Audit Shared Service Audit Opinion and
Commentary
- Appendix 4 Internal Audit Charter

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUTHOR OF REPORT

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AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

APPENDIX 1

Delivery against Internal Audit Plan for 2017/18 1st April 2017 to 31st March 2018

Audit Area	2017/18 Plan Days	2017/18 Actual Days Used
Core Financial Systems (Note 1 & 5)	108	91
Corporate Audits (Note 2)	81	41
Other Systems Audits (Note 3)	157	181
TOTAL	346	313
Audit Management Meetings	20	17
Corporate Meetings / Reading	9	6
Annual Plans and Reports	12	10
Audit Committee support	13	3
Other chargeable	0	0
TOTAL (Note 4)	54	36
GRAND TOTAL (Note 5)	400	349

Note:

Days are rounded to the nearest whole.

Note 1: Core Financial Systems were audited predominantly in quarter 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts.

Note 2: Budgets contained in this area include draw down/contingency budgets which by their nature may or may not be used e.g. fraud and special investigations, consultancy and advisory. These were significantly under spent last year with only 23% of those budgets used.

Note 3: Budget overspend due to an additional piece of work which continues to be ongoing in regards to a service area.

Note 4: Budget underspend in regard to the support days as not required.

Note 5: The difference of planned days to actual days was due to a combination of factors including the need to roll a couple of reviews e.g. transformation and corporate risk, into 2018/19 due to changing circumstances. Core financial audits were expected to be completed before year end but slipped slightly due to the churn in the team in the final quarter. The days used to complete these reviews are accounted for in the 2018/19 plan. Also there were a couple of contingency budgets that were underspent at the end of the year further adding to the underspend. There was a financial benefit implication to Redditch Borough Council as a result of this.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

PERFORMANCE INDICATORS 2017/18

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2017/18. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. KPI 4 to KPI 6.

KPI	Trend/Target requirement	2017/18 Position Year End Position	Frequency of Reporting	
Operational				
1	No. of audits achieved during the year	Per target	Target = 18 (Minimum) Delivered = 25 Incl. 3 in draft & 2 continuing	When Audit, Governance and Standards Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	87%	When Audit, Governance and Standards Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	74.33%	When Audit, Governance and Standards Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	11	When Audit, Governance and Standards Committee convene
5	No. of moderate or below assurances	Downward (minimal)	10	When Audit, Governance and Standards Committee convene
6	'Follow Up' results (Using 2017/18 reviews onwards)	Management action plan implementation date exceeded (<5%)	Nil to report	When Audit, Governance and Standards Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	15x issued Returns: 9x 'excellent' 1x 'good' 2x 'satisfactory'	When Audit, Governance and Standards Committee convene

WIASS conforms to the Public Sector Internal Audit Standards 2013.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

Appendix 2

Audit Opinion Analysis ~

Audits completed during financial year 2017/2018:

Audit Report / Title 2017 – 2018	Final Report Issued	Assurance Level
VAT	10 th August 2017	Full
Palace Theatre	29 th June 2017	Significant
Pitcheroak Golf Course	29 th June 2017	Significant
Building Control	10 th August 2017	Significant
Treasury Management	22 nd September 2017	Significant
Homelessness	6 th November 2017	Significant
Elections – Individual Registration	2 nd January 2018	Significant
Council Tax	15 th February 2018	Significant
NNDR	15 th February 2018	Significant
Creditors	16 th March 2018	Significant
Main Ledger (D)	13 th April 2018	Significant
Benefits (D)	16 th April 2018	Significant
Debtors	4 th June 2018	Significant
Procurement	30 th August 2017	Moderate
Disabled Facilities Grants	28 th September 2017	Moderate
St. David's House	4 th October 2017	Moderate
Land Charges	19 th October 2017	Moderate
Customer Services	14 th November 2017	Moderate
Cash Collection	14 th November 2017	Moderate
Environmental Waste	27 th November 2017	Moderate
Payroll	13 th February 2018	Moderate
Records Management	5 th January 2018	Limited
Housing – Allocations	Ongoing	TBC
Contract Management	Ongoing	TBC

REDDITCH BOROUGH COUNCIL

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

Audit Report / Title 2017 – 2018	Final Report Issued	Assurance Level
Shared Service		
Worcestershire Regulatory Services (D)	26 th April 2018	Moderate

Note: (D) denotes audit is currently in draft but unlikely the assurance level will change.

Follow Up		
2015/16	Reviewed	Outcome
Corporate Governance – AGS	July 2017	All implemented
Housing Right to Buy	August 2017	All implemented
Leisure – Consumables (Critical Review)	May 2017	All implemented
S106 Planning Obligations (Critical Review)	June 2017	All implemented
Worcestershire Regulatory Services (Critical Review)	July 2017	All implemented
Accounts Reconciliation (Critical Review)	July 2017	All implemented
2016/17		
Allotments	February 2017	On going – 1 recommendation
Community Centres	May 2017	On going – 2 recommendations
Planning Enforcement	May 2017	All implemented
Planning Application and Fees	May 2017	All implemented
Bereavement Services	May 2017	All implemented
Worcester Regulatory Services	August 2017	On going – 2 recommendations
2017/18		
Palace Theatre	March 2018	On going – 1 recommendation
Pitcheroak Golf Course	March 2018	All implemented
Disabled Facilities Grants	Feb 2018	On going – 3 recommendations
Land Charges	Feb 2018	All implemented
St David's House	March 2018	On going - 1 recommendation
All core financials		

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

Summary of 2017/18 Audit Assurance Levels.

2017/18	Number of Audits	Assurance	Overall % (Rounded)
From 25 audits (including those at draft stage)	1	Full	4%
	12	Significant	48%
	9	Moderate	36%
	1	Limited	4%
	0	No	0%
	2	To be confirmed	8%
	0	Critical Review	0%

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2017/18 financial year indicated that of those who responded:

- The Managers were happy with the process and format of the reviews. This continues to be further developed.
- Two Managers commented, “[The Auditor] always gave good notice of her attendance in the office and worked well within the constraints of my own diary. [The Auditor] clearly undertook a lot of background research before undertaking the audit”, “Helpful and easy to work with”, “Very helpful, useful conclusions”
- Anecdotal evidence also indicates there is a high satisfaction rate with the audit product.

Of the 15 questionnaires issued, 9 were returned ‘excellent’, 1 as ‘good’ and 2 as ‘satisfactory’.

Overall Conclusions:

- 88% of the audits undertaken for 2016/17 which have received an assurance allocated returned an assurance of ‘moderate’ or above. This figure is inclusive of the critical reviews.
- Clients are satisfied with the audit process and service from the data received.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

Appendix 3

Audit Opinion and Commentary 2017/18

1. Overall Conclusion

- 1.1 Based on the audits performed with the revised audit plan the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2017/18 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. However, there remains a significant risk which could jeopardise this in the future in regard to the Housing Service. Close monitoring of deployed measures are set to continue but the need to reduce the overall risk and work towards a better approach beyond 2017/18 will be critical to create better transparency, expectation and accountability. This will be necessary in order to ensure the Borough can deliver a satisfactory housing service, manage risk management effectively, and, ensure other areas which attracted a 'limited' assurance develop and deploy a sound control environment.

2. Risk Management Conclusion

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

3. Audit Opinion

- 3.1 The internal audit of Redditch Borough Council's systems and operations during 2017/18 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 27th April 2017 and any subsequent revision.
- 3.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 3.3 The Internal Audit Plan for 2017/2018 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk,

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

resource risk fraud risk, and external risk) using a predefined scoring system. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- a number of operational systems, for example, Palace Theatre, Pitcheroak, Land Charges, St David's House, Records Management were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

3.4 The 2017/18 internal audit plan and any revision thereto, was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.

3.5 In relation to the 25 reviews that have been undertaken, 20 have been finalised, 3 are at draft report stage and 2 are continuing. An area which returned an assurance level of 'limited' was Records Management. Due to the nature of the findings in regard to the Housing Allocations initial review a further piece of work was commissioned after discussions between Senior Management Team and the Head of Internal Audit. This was a piece of work in addition to the planned reviews culminating in a number of medium priority risk areas being identified that required attention. The action plan in regard to this is currently being formulated and work is continuing.

3.6 A clear management action plan has been formulated to address the issues identified in the audit area where 'limited' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer.

3.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk have been identified in addition to those already identified in the audit work completed. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team. It is acknowledged there remain some significant challenges in the Housing Service.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

- 3.8 The majority of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified. However, there was 1 audit allocated a 'limited' assurance which indicates weaknesses in the design and / or inconsistent application of controls potentially putting the achievement of the organisation's objectives at risk in those areas reviewed. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively.
- 3.9 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein.

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
July 2018



Worcestershire Internal Audit Shared Service (WIASS)

Internal Audit Charter

Redditch Borough Council

Definitions

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

This Charter was last reviewed April 2017 and was approved by the Audit Governance and Standards Committee on 6th July 2017.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

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.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

(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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

- at the specific request of management¹, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management¹ have made proper provision for resources within the annual plan
 - management understand that the work being undertaken is not internal audit work.

4. Responsibility of Management¹ and of Internal Audit.

- 4.1 At all times internal audit will operate in accordance with the partner's Constitution and legal requirements and all internal audit staff will adhere to recognised Professional Standards and Codes of Conduct and Ethics e.g. the Institute of Internal Auditors' and/or CIPFA as well as the Partner's Codes of Conduct and Anti-Fraud and Corruption Policies.
- 4.2 It is the responsibility of Management to put in place adequate controls to ensure systems meet their objectives and that they are notified without delay of any instances where systems are failing to operate properly. However, where there has been, or there are grounds to suspect that there is risk of a 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

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 Board¹ 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 Management¹ and after taking into account comments from Members arising from the reporting process set out below, provide the Committee with:
- a risk based audit plan forecasting which of the Partner's activities are due to receive audit attention in the next 12 months. The risk based plan will take into consideration a number of risk factors and provide a basis of a three year strategic plan. A key responsibility of the Head of Internal Audit

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

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 Board²;

- a detailed operational plan using a risk based assessment methodology showing how/what resources will be required/allocated in the coming financial year in order to meet the requirements of the Partners strategic plans. The Plans will be flexible and include a small contingency contained as part of the consultancy budget to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Head of Internal Audit Shared Service will bring to the attention of the s151 Officer if this budget is depleted so an additional contingency can be agreed. 'Consultancy', for the purposes of WIASS activity, is defined as work that is of a specialist nature and commissioned/requested in regard to an area of work activity within a service area that is in addition to the agreed partners audit plan. The work can be financial or governance based and the output will provide management¹ with challenges to consider 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 Board² with:
- quarterly progress reports on actual progress compared to the plan and performance indicators. Such reports to highlight serious problems, either affecting the implementation of the plan, or, in the take up of audit recommendations;
 - an annual report summarising the overall results for the year compared to the plan and pointing out any matters that will impact on internal audit's ability to meet the requirements in the strategic plan;
- c) during the course and close of each full systems/risk audit provide the client manager¹ with:
- a copy of an audit brief and audit information request setting out the objectives and scope of the audit prior to commencement of the audit and a confirmation of resource requirements for the audit.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

- draft recommendations, which will be discussed with the responsible manager¹ prior to sending the draft audit report. The manager¹ is responsible for confirming the accuracy of the audit findings and is invited to discuss the report during the 'clearance' meeting prior to the issue of the draft report.
 - an audit report containing an overview of the quality of the control system, an opinion as to the level of system assurance and detailed findings and recommendations including priority. 'Assurance', for WIASS purposes, is defined as the determination of an overall outcome against a predetermined criteria leading to an applied level giving an overall summary for the work audited.
- d) shortly after the close of each financial year provide for the purposes of the Annual Governance Statement:
- an annual audit opinion of the Partner's system of controls based on the audit work performed during the year in accordance with the plans at 5.1(a) above and reported in accordance with 5.1(b) and (c) above and on the assurance methodology adopted, and, a statement of conformance with the Public Sector Internal Audit Standards and the results of quality assurance and improvement programme.

5.2 Expectations of Clients:

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

5.3 Audit reports will be drawn up following the internal audit report framework. A matrix type report displaying audit findings, risks and recommendations along with a column for management comments, as per 5.1(c), will be provided to management¹. The report will also contain an introduction and priority categories for each of the recommendations. A covering report will be attached to the matrix providing details of the partner 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

invited to contact the Auditor if they wish to discuss the report and asked to show their response in the form of an action plan to each recommendation on the draft report. For accepted recommendations, dates for action or implementation are recorded. The managers' responses are recorded in the final reports that are issued to the appropriate Management¹ officers as deemed relevant for the audit.

5.5 In accordance with professional standards, after three/six months from the date of issue of the final report, follow-up audits are undertaken to ensure that the agreed recommendations and action plans have been implemented, or, are in the process of being implemented. A formal follow up procedure / methodology is used to follow up audit reports. A follow up is then undertaken every three months to coincide with the Board² 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

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

30th July 2018

- 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.

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 nd March 2012	Charter for WIASS	AB
2.0	9 th August 2012	Update to Charter	AB
3.0	23 rd April 2013	Update to Charter re. International Standards	AB
4.0	21 st Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 st July 2016	Update re. titles and definition of 'consultancy' and 'assurance'.	AB
6.0	April 2017	Full review in line with Standards	HT
7.0	May 2017	COG suggestion: Update of H&WFRS name to reflect legal entity & 'Council's' to 'Partners'.	HT