

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

EXTERNAL ASSESSMENT UPDATE REPORT.

Relevant Portfolio Holder	Councillor Juliet Brunner
Portfolio Holder Consulted	No
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:

- An update on implementation progress made against the 2017/18 External Assessment.

2. RECOMMENDATIONS

2.1 **The Committee is asked to note the report and implementation progress.**

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”.

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Service / Operational Implications

- 3.3 To provide an update from the Head of Internal Audit Shared Service in regard to the implementation progress made against the Internal Audit External Assessment that took place during the 2017/2018 financial year. The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.
- 3.4 Tilia Solutions were appointed for the Worcestershire Internal Audit Shared Service Assessment. The review was undertaken by the independent assessor during early October 2017 and a report was produced identifying areas which would enhance the Internal Audit Service provision overall. The final report was presented on the 20th October 2017. The report was presented to the Client Officer Group during November 2017.
- 3.5 A progress report was brought before Committee for information approximately 12 months ago with the understanding that regular reporting would be undertaken until the areas identified were satisfactorily completed.

External Assessment.

- 3.6 Although not a statutory requirement all Internal Audit Services are obliged to comply with the Public Sector Internal Audit Standards as amended and undergo an independent external assessment every 5 years to ensure compliance with the Standards.

Progress to June 2019.

- 3.7 The action plan was broken down into three elements; recommendations, compliance and suggestions. A summary of these can be found in **Appendix 1**. This shows that all action points raised by the external assessment have now been addressed. All improvements outlined in the summary will be maintained until the next assessment, which is due in 2021/22, although WIASS will continue to seek ongoing improvement through the Client Officer Group and its service planning processes.

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

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4. RISK MANAGEMENT

The main risk associated with the details included in this report is:

the continuous provision of an internal audit service is not maintained to a required standard.

5. APPENDICES

Appendix 1 ~ Action Plan Summary

6. BACKGROUND PAPERS

Tilia Solutions Assessment Report

7. KEY

N/a

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Appendix 1

Action Plan and Position as at June 2019

Key:

Completed
Ongoing
Not Started

Recommendations:

No.	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
R1	Include a requirement in each anti-fraud and corruption policy to inform the HIASS of all suspected frauds	Anti-fraud and corruption policies to be updated as appropriate. Request to be made to update policies.	By Dec 2017	All partners have been contacted in regard to current policies. Actions are dependant on position and planned updates. Policies mainly require a small tweak of the current wording to satisfy this recommendation but no immediate risk presenting itself. Partners will address this issue fully when update cycles permit.	Completed
R2	Safeguards, including independent audit arrangements, should be put in place to manage audit's independence and objectivity where they carry out non-audit	Independence is managed closely within the team e.g. different people working on areas and not auditing those	Circa June 2018. Ongoing - to be included in the annual reporting cycle for all Partners.	Safeguarding, independence and integrity included in the 2018 Charter	Completed

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	activities and these should be discussed with and approved by the relevant audit committees. They should be included in the Audit Charter	areas, annual conflict of interest checks, quality assurance, quality assurance in process and Team Leader & HIA consideration. Charter will be updated and discussion can take place with Cttee on an annual basis with safeguards specifically identified.			
R3	Ensure fraud risks are considered more extensively in planning audits and give audit staff support to enable them to do this	The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how WIASS was to improve this. WIASS will indicate clearly the potential fraud risks and include in the brief. There will also be a greater emphasis on risk focus.	Apr-18	November 2017 (https://www.actionfraud.police.uk/a-z_of_fraud) advised to all Auditors November 2017 via email so that full use can be made of it and the benefits it can provide going forwards. February 2018 Team Meeting advised that expected to use website and other resource as part of the planning element so there is more extensive consideration of this aspect in all the reviews undertaken. Has become an intrinsic part of the brief.	

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		Workshops undertaken re. Service transformation during 2017 along with methodology impact therefore part of consideration.			
R4	<p>In discussion with the auditee, broaden individual audit planning to cover the matters indicated and record the relevant matters on the audit brief:</p> <ul style="list-style-type: none"> o Achievement of the organisation's strategic objectives o Strategies and objectives of the activity under review o Reliability and integrity of financial and operational information o Risks to the activity under review o Risk management arrangements <p>Governance arrangements for:</p> <ul style="list-style-type: none"> o Making strategic and operational decisions o Overseeing risk management and control o Promoting appropriate 	<p>The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how WIASS was planning to improve this. WIASS looked at broadening the audit brief to make it more succinct and linked in to corporate priorities and strategic objectives. A greater emphasis on risk focus was also to be included. During 2017 workshops held re. Service transformation and</p>	Circa June 2018	<p>November 2017 onwards: Completely new approach adopted for annual planning. 2018/19 planning went through SMT with a key emphasis on risk and linkage to corporate priorities /promises as well as corporate and service risk registers as well as service plans. Plans signed off at SMT level for all Partners with HIASS in attendance to present the plan(s). This methodology continues to be used.</p> <p>February 2018 onwards: February 2018 Team Meeting introduced the revised methodology and talked through the annual plan approach. Team expected to deploy new method of working, use methodology and deliver audits on time and within budget as the process has been significantly streamlined without losing the integrity of the working papers.</p> <p>01 June 2018 onwards: Revised methodology key point of</p>	

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	ethics and values o Ensuring effective organisational performance management and accountability o Communicating risk and control information to appropriate areas of the organisation o Effectiveness and efficiency of operations and programmes o Safeguarding of assets o Compliance with laws, regulations, policies, procedures and contracts o Potential errors and non-compliance o Opportunities for value for money and to make improvements in the activity's processes.	methodology impact therefore part of consideration.		discussion on Team Meeting agenda to review how revision is working, and to identify any further points for consideration and development. Development of methodology has continued through team discussion and feedback from Partner's and will continue to do so. New methodology is now embedded and has been used for 12 months. May 2019: Methodology continues to evolve.	
R5	Undertake self-assessments against the LGAN and PSIAS	To be undertaken annually. To commence at the end of 2018/19.	Self Assessment towards end of 2018/19 after transformation has taken place. Diarised for early February 2019 with reporting to be included as part of the annual report cycle for all Partners.	Self assessment completed April 2019. Plan to evidence them as the new years documents emerge and others will be checked for continuing relevance. Updates to text and hyperlinks made on an ongoing basis with self assessment completed annually.	Links to R6

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R6	Ensure that the results of self-assessments against PSIAS are reported to audit committees and CoG, together with the action planned so that these bodies can monitor progress	Self-assessment results to be reported to COG and Cttee as part of annual reporting. To commence at the end of 2018/19 financial year and for reporting 2019/20.	Circa July 2019 To be included as part of the annual report cycle and overall assurance provision to those in governance of the integrity of WIASS as a service.	Self assessment completed April 2019. Self assessment completed on an evidence based approach, and to be reported as part of the annual reporting cycle for 2018/19.	Links to R5
R7	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas	See recommendation response at 4.	April 2018 onwards	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in committee reports as to the process followed in the formulation of the plan and the resource requirements.	
R8	The HoIASS should have regular meetings with senior management teams to consult on items for inclusion in the annual plan, activities against the plan, any significant issues (fraud, risks, governance, etc.) that may have wider relevance and year-end outcomes	Although HoIASS has engaged in the past in regard to the annual plans with Head of Service, s151's, arrangements to attend Senior Management Team meetings as part of the process will be arranged.	Immediate action i.e. for 18/19 Plan and ongoing.	Established that HoIASS now regularly attending SMT or equivalent at Partner organisations.	
R9	Include examination of ethical issues in all relevant audits, bringing this work together at	To become part of the brief and then report outcomes in annual	During 2018/19 & circa June 2019 opinions.	<u>Culture and Ethics\Auditing Culture and Ethics.docx</u>	

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	the year end to form an opinion on ethical activities	report.		Embedded in the working papers of the reviews.	
R10	Include work on IT governance in the audit plan, buying in expertise if necessary	To seek assurance on this from other work undertaken within IT (i.e. third-party assurances), along with external audit work and consider whether it is sufficient. Buying in a resource will have resource implications.	Nov 17 COG.	Discussed at November 2017 COG. Assurance from existing arrangements e.g. ethical hacking, etc, but audit budgets to be included in the 18/19 plans for non technical audit work.	
R11	Finalise the Place Partnership agreement as a matter of urgency	Agreed. November 2017 with WCC Legal who are continuing to work on Agreement.	Draft to be available w/c 13/11/17 for PPL consideration. Finalisation circa end of December 2017.	Contract retendered during 2018/19 therefore events overtook this action. No further requirement/action to be taken in regard to this recommendation.	
R12	Combine the current planning documents and broaden them to create a work programme specifying the tests to be undertaken. Ensure that the work programme is approved before testing starts	Currently holding workshops re. Service transformation and methodology impact therefore part of consideration. This directly links with R3 and R4.	July 2019. Being worked on by Team Leader to combine working documents to simplify the arrangements.	New methodology introduced April 2018 and includes planning and testing as a combined document. Implemented for 2018/19 audit review. Development continuing through feedback and focussed training sessions at team meetings. Continuing the development of the methodology to ensure it remains fit for purpose. Sign off of planning discussed at team meeting ready to deploy Q2 re. 2019/20 reviews.	
R13	Address the reasons for the lengthy delays in finalising reports, incentivising auditees	Delay can be due to 'good cause' and will be managed	Immediate action	Continuing to monitor and work with Partner's as there remain examples of undue delay in some areas. Appropriate	

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	to respond promptly	accordingly to circumstances. Where there is unjustified and undue delay then escalation to be instigated using the senior management team at the Partners.		escalating processes in place and Partners are actively encouraging 10 day turnaround.	
R14	The annual audit opinion should be succinct and stand out. It should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified. The form of the opinion should be discussed and agreed with audit committees and senior management	The current annual audit opinion, along with other Audit Cttee reports are shared with senior management teams as part of the reporting process. However, format to be changed to give more emphasis and clarity in regard to the opinion and outcomes.	Circa June 2018. To be included in the annual reporting cycle for all Partners.	2017/18 Audit Opinion format was changed to provide better clarity and reported outcomes. Continual evolution to date.	

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Compliance:

No	Recommendation	Response	Proposed Implementation Date	Action Taken	Position June 2019
C1	Include the mandatory mission statement in the Charter	To include in the Charter to achieve full compliance.	By April 2018	Internal Audit Charter was revised and placed before the Partner Committees for approval September/October 2018 with regular updates since.	
C2	Include, as a minimum, a reference to the Seven Principles in one of the key audit documents. Ideally, refer to all seven principles and what they mean in an audit context	To include in the Charter to achieve full compliance.	By April 2018	Internal Audit Charter has been revised and was placed before the Partner Committees for approval September/October 2018 with regular updates since.	
C3	Include a reference to assurance provided to parties outside the partnership in the Charter	To include in the Charter to achieve full compliance.	By April 2018	Internal Audit Charter has been revised and was placed before the Partner Committees for approval September/October 2018 with regular updates since.	
C4	Include information about the Core Principles in the Charter, including how audit delivers against them	To include in the Charter to achieve full compliance	By April 2018	Internal Audit Charter has been revised and was placed before the Partner Committees for approval September/October 2018 with regular updates since.	
C5	Include a positive confirmation of audit's independence in the annual audit reports	Although already included this will be given more emphasis in the annual reports.	Circa June 2018. To be included in the annual reporting cycle for all Partners.	Included initially in annual report 2018 and continuing. Extended to progress reports as well to emphasise independence.	

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C6	Develop an over-arching Quality Assurance and Improvement Programme (QAIP) strategy to cover quality assurance activities, including how often, who is involved and their scope.	Adopt PSIAS as the standard WIASS wish to work to as a Service. Develop a QAIP strategy to indicate quality assurance activity.	By June 2018	QAIP draft created July 18 but further development was ongoing for completion by July 2019. QAIP agreed as part of the self assessment April 2019 and will be used as an element of the Service Development Plan.	
C7	<p>Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas:</p> <p>The need to produce an annual opinion</p> <p>Links to an assurance framework and other assurance providers</p> <p>How the service will be developed</p> <p>The WIASS Charter</p> <p>Links to organisational objectives and priorities</p>	<p>The annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to do this and the fact that we needed to link the plan directly to the strategic objectives, priorities and risk registers. WIASS will seek to incorporate this in the 2018/19 plans. Although risk registers are used as part of the current planning direct links will be made to clearly indicate to committee.</p>	Circa June 2018 i.e. 2018/19 planning process so immediate but ongoing action.	2018/19 onwards Plans driven by corporate risk, service risk, service plans, and linked to overall Corp. objectives and identified in the audit plans. Discussed at SMT level prior to Committee and presented at Committee for consideration and an opportunity to influence the plan.	
C9	Include guidance on informing management when key issues arise during an audit	There has always been an agreement that s151 Officers/Heads of Service would be informed in regard to significant/key	By April 2018 Included in the current Charter at 4.6in regard to the	Internal Audit Charter has been revised and is before the Partner Committees for approval September/October 2018 with regular updates since. Auditors are aware that any material issues are to be	

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		issues arising from reviews if it was considered an immediate action was required or there was a risk of, or actual, fraud taking place. This can be formalised and included in guidance notes for compliance.	s151 and HIASS liaison but to include management as well Included in the revised Charter for 2018.	raised at the time. Agreement in place that HoIASS would consult s151 if considered appropriate.	
C10	Make the link between the PSIAS, LGAN and activities undertaken in performing an audit clear, for example, by quoting specific standards	Can include in brief. Currently holding workshops re. service transformation and methodology impact therefore part of consideration. Links directly to Recommendation 4	By April 2018	See notes in Recommendation 4. In brief document referenced the IIA PSIAS and Ethical Standards under the Independence and Ethics section. Embedded practice for all reviews having been used for circa 12 months and continues to evolve.	
C11	Develop a retention scheme for HWFRS and finalise the MHDC scheme	WIASS uses a retention scheme in regard to all Partners but can seek to finalise schemes with specific partners with specific linkage to General Data Protection Regulation requirements.	By May 2018	Appropriate action undertaken and continuing liaison with Partner's to ensure all schemes are linked and remain appropriate.	
C12	Ensure that all coaching notes are signed off and dated	Agreed. All coaching to be signed off and dated in a	Immediate action. Support post	Review of 2017-18 reports completed, all planning and fieldwork documents	

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		timely manner to achieve full compliance.	created to assist with the overall Service administration. Post duties to include a review of all coaching notes and track them at final report stage to ensure they are satisfied and signed off.	signed off 2018-19 tracking ongoing as part of support post plus other additional monitoring duties within the Service to ensure there is no breach of sign off protocol and housekeeping measures remain appropriate and robust.	
end					

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Suggestions:

No	Suggestion	Response	Proposed Implementation Date	Action Taken	Position June 2019
S1	Amend the Charter to state that audit's remit extends across the entire control environment of each organisation	Agreed. Charter to be updated to include a statement.	By April 2018	Included in the revised draft Charter for 2018. Completed Sept 2018 and regular updates since.	
S2	Introduce annual formal private meetings between audit committees and the HoIASS	This can be incorporated as part of the annual report position. COG discussion	November 2017	Different Partners have different requirements. Where the meetings are required, wanted and add value these are being held. Chair briefings are occurring as well where appropriate.	
S3	Invite appropriate staff, for example CoG, to be included in the quality assurance programme periodically	COG is included as part of the quality assurance programme at least once a year during COG meeting. QA is always requested from clients on the completion of the audit. Will seek to widen the scope and formalise the quality assurance programme. COG discussion	November 2017	Feedback from clients after the audit has been finalised was already in place but has been reconsidered to ensure maximum feedback is obtained. Director of Finance / Chair of CoG providing feedback from CoG meetings to HoIASS	
S4	Make greater use of corporate risk registers in developing annual audit	Currently considered as part of the process but will provide a direct link to	Circa June 2018 i.e. as part of the 2018/19 planning	Completed as part of the 2018/19 planning process; direct links established between corporate risk	

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	plans	formalise the links between risk registers, audit plan and corporate priorities for the future.	process so immediate but ongoing action.	register, service risk register and Corporate Strategies. Links included in the plan for transparency.	
S5	Emphasise to audit committee members that the plan is based on strategic risks	To be included in the annual audit plan report and as part of the report presentation with direct linkage to the strategic risks. Links to S6.	Circa June 2018 i.e. as part of the 2018/19 planning process for all Partners	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in committee reports as to the process followed in the formulation of the plan and the resource requirements.	
S6	The annual audit plan should prioritise audit assignment, for example by showing the risk ranking or using H/M/L ratings	To be included in the annual audit plan report and as part of the report presentation with direct linkage to the strategic risks and the risk rating provided. Links to S5.	Circa June 2018 i.e. as part of the 2018/19 planning process for all Partners	Completed January 2018 as part of the 2018/19 planning process with high medium or low, or, a combination of levels where appropriate being included in the plan. Direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in committee reports as to the process followed in the formulation of the plan	

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				and the resource requirements and the priority to be applied	
S7	Consider an alternative layout for audit reports that is easier to read	Will consider as part of the workshops and methodology update currently being undertaken. To consider table of findings/ recommendations as landscape rather than portrait with more emphasis on the risk. Links to S8.	Apr-18	Discussed at COG November 2017 and current format to remain as it is liked and can be easily followed.	
S8	Explore ways to make the follow-up process clear to officers and audit committees	Will consider as part of the workshops and methodology update currently being undertaken. Perhaps there needs to be better education at key times during the review to get the message across in regard to the follow up process. This can also be emphasised actually in the reports and during their formal issue in covering	Apr-18	Standard template written for officers to use when issuing Final Reports stating the follow up time frame for that audit. Follow up also added to the 4A - Post Clearance Draft Audit Report template. New report template agreed. Email template distributed for auditors to use.	

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No	Suggestion	Response	Proposed Implementation Date	Action Taken	Position June 2019
		emails. Links to S7.			
end					