APPENDIX 2

INTERNAL AUDIT CHARTER

1. Introduction

1.1 This charter sets out the mandate of Internal Audit (IA) including its purpose, activities, scope, management and responsibilities in the Partner Organisations.

1.2 Worcestershire Internal Audit Shared Service (WIASS) covers five district authorities and two Fire and Rescue Authorities as follows:

- Worcester City Council (the host Authority)
- Wychavon District Council
- Malvern Hills District Council
- Redditch Borough Council
- Bromsgrove District Council
- Hereford and Worcester Fire and Rescue Service; and
- Shropshire and Wrekin Fire and Rescue Authority.

Worcester City Council hosts the Shared Service provision under an on-going Administrative Collaborative Agreement. WIASS 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 COG 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 any prolonged absence.

2. Purpose of the Internal Audit Service

2.1 Internal Audit's purpose is to promote, assist, challenge and add value to its partner organisations' operations by providing independent, risk based and objective assurance, advice, insight and foresight.

2.2 WIASS accomplishes this by reviewing whether significant risks are identified and appropriately reported by management to the Board and Senior Management; assessing whether they are adequately managed; and by challenging Senior Management to improve the effectiveness of governance, risk management and internal controls, enhance transparency and effectiveness in decision-making, build trust and confidence among stakeholders, and ensure there is focus on serving the public good.

3. Mandate for the Internal Audit Service

3.1 The internal audit mandate is governed by 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.

3.2 The internal audit service will comply with the mandatory components of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements, subject to Application Note (the Global Internal Audit Standards in the UK Public Sector) on how these standards should be applied in the UK Public Sector.

4. Scope of Activities and Right of Access

4.1 Internal Audit is authorised to review all areas of the partner organisation and has full, free, and unrestricted access to all activities, records, property, personnel and information necessary to complete their work.

During 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 the internal audit deems 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 regardless of their position.
- require any officer to produce forthwith cash, stores or any other property under their control.

4.2 Internal Audit work will include but is not restricted to:

- Review of the process for identifying and managing risks relating to the achievement of partner's strategic objectives.
- Review and assessment of the soundness, adequacy, integrity and reliability of financial and non-financial management and performance systems, including the quality of data.
- Reviewing the means of safeguarding assets.
- Promoting and assisting in the effective use of resources.
- Examining, evaluating and reporting on the adequacy and effectiveness of internal control, and recommending arrangements to address weaknesses as appropriate.
- Advising upon the control and risk implications of new systems or other organisational changes.
- Providing a 'critical friend' approach to support services in achieving value for money.
- Reviewing compliance with policies, procedures, applicable laws, regulations, and governance standards.
- Undertaking independent investigations into allegations of fraud and irregularity in accordance with applicable policies, procedures and relevant legislation.

4.3 Internal Audit's remit extends across the entire control environment and is not limited to certain aspects or elements.

5. Roles and Responsibilities

5.1 Audit Committee

- Ensures that the Internal Audit function has the necessary authority and resources.
- Reviews and approves the risk-based internal audit plan.
- Oversees the quality assurance and improvement program.
- Provides input on the performance of the Head of Internal Audit.

5.2 Head of Internal Audit

- Responsible for ensuring that the internal audit service functions with the highest standard of professionalism, objectivity, ethical standards, and strategic alignment.
- Develops risk-based internal audit plans with input from Audit Committees and senior management. Ensures the plan is reviewed and adjusted as needed to address changes in partner's business, risks, operations, programs, systems, and controls.

- Establishes and ensures adherence to the methodologies designed to guide the service, keeping pace with developments in internal auditing and integrating best practices.
- Develops and implements an internal audit strategy that aligns with the expectations of the board, senior management, and other key stakeholders.
- Coordinates activities and considers relying upon other internal and external assurance and advisory service providers to highlight gaps in coverage of key risks and enhance value added.
- Maintains a team with the necessary skills, qualifications, and other competencies to fulfil the internal audit mandate and meet professional standards, highlighting any resource constraints that may impact the delivery of the internal audit plan.
- Identifies trends and emerging risks with potential effects on the partners and keeps the Audit Committee and senior leadership informed as needed.
- Follows up on audit findings and confirms the implementation of agreed actions, with results communicated to the Audit Committee and senior management.
- Ensures adherence to partner policies and procedures.
- Ensures 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 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 depending on the circumstances.

5.3 **Senior Management** supports the internal audit service to perform its role and mandate by:

- Actively collaborating with the internal audit service, promoting the authority granted to the service, and commits to the principles of good governance, acknowledging its importance to the institution’s strategic objectives.
- Coordinating with the Audit Committee and management to ensure internal audit service’s unrestricted access to the data, records, information, personnel and physical properties required to fulfil the internal audit mandate.
- Ensuring appropriate action is taken on recommendations and advice of internal audit. Management must accept and implement the advice and

recommendations or formally reject accepting responsibility and accountability for doing so.

- Designing and maintaining adequate controls to ensure systems meet their objectives and notifying without delay of any instances where systems are failing to operate properly. However, when there is evidence or reasonable suspicion of a potential breakdown in a significant system, the Head of Internal Audit Shared Service should be promptly informed of the issue, along with any existing or proposed countermeasures, to enable the Head of Service to determine whether involvement is necessary.
- Ensuring adequate controls are in place to prevent and detect fraud or other irregularities. Internal Audit will assist Management to effectively manage these risks. All cases of actual or suspected fraud should be reported to the Head of Internal Audit who then determines the course of action while ensuring compliance with relevant policies and procedures.

6. Independence

6.1 The Internal Audit Service is organisationally independent for all Partners. Although the Head of Internal Audit reports directly to the s151 Officers of the Partner organisations the role has direct and unrestricted access to the senior management teams and Audit Committee Chairs. The COG, which 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.

6.2 The independence of the Internal Audit service is further safeguarded and enhanced by ensuring that any performance evaluation of the Head of Internal Audit Service is not solely influenced by those subject to audit. This is accomplished by ensuring that both the Section 151 Officers contribute on the performance evaluation of the Head of internal Audit.

6.3 Internal Audit must operate independently from activities it audits to enable internal auditors to make impartial professional judgments and recommendations. Internal auditors have no operational roles and responsibilities towards systems and functions audited.

6.4 The Head of Internal Audit confirms annually to the Audit Committees the organisational independence of the Internal Audit function. Further independence and safeguard checks are reported throughout this Charter in the form of checks, actions and process.

7. Planning and Reporting

7.1 To meet the objectives above, the Head of Internal Audit shall:

- Prior to the beginning of each financial year, following consultation with management and after taking into account comments from Members and other stakeholders arising from the reporting process set out below, provide each Audit Committee with:
  - A risk-based audit plan setting out which activities are due to receive audit attention in the next 12 months. The risk-based plan will take into consideration a number of factors including corporate risk registers, service risk registers, local and national knowledge, corporate promises or objectives, key strategic documents and any external audit guidance. Ongoing development of the plan remains aligned with the provision of an annual opinion that reflects the evolving risk environment in which each partner operates, and which is required to support the Annual Governance Statement.

  - A detailed operational plan using a risk-based assessment methodology showing how/ what resources will be required/ allocated in the coming financial year. The Plans will be flexible and include a small contingency contained as part of the consultancy (advisory) budget to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Head of Internal Audit will bring to the attention of the s151 Officer if this budget is depleted so an additional contingency can be agreed.

- During the course and at the close of each financial year provide the Board with:
  - Quarterly progress reports on actual progress compared to the plan and performance indicators. Such reports 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.

- During the course and close of each audit, provide the client manager 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 manager/s responsible prior to issuing the draft audit report. The manager 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.

- Shortly after the close of each financial year provide for the purposes of the Annual Governance Statement an annual audit opinion of the governance, risk management and control processes, a statement of conformance with the Global Internal Audit Standards, the Application Note: Global Internal Audit Standards in the UK Public Sector, and the results of quality assurance and improvement programme.

7.2 Managers and staff should co-operate with the Auditors, and responses should be made to draft reports. Responses should include an action plan, dates for action and responsibility where actions are delegated.

7.3 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 will be provided to management.

7.4 In accordance with professional standards, 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 exception basis.

7.5 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 Audit Committee will be informed of the inaction with a view to them calling in the Officer to justify the late return.

8. Quality Assurance and Improvement Programme

8.1 Internal Audit maintains a Quality Assurance and Improvement Programme (QAIP) that applies to all aspects of the internal audit function. This programme aligns internal audit activities with the Global Internal Audit Standards, incorporating both internal and external assessments to evaluate performance and identify areas for enhancement. It includes performance measurement

mechanisms to track progress toward strategic objectives and drive continuous improvement. Quarterly and annual reports are issued to the Committee demonstrating trends in productivity and value. Individual reviews via 1-2-1 meetings are regularly held with the Head of Service, and internally generated client feedback forms are used to ensure improvements and changes are made. Any gaps or deficiencies identified, appropriate action plans are developed to address them and improve the function's effectiveness.

8.2 Every year the Head of Internal Audit Shared Service will provide updates to the Audit Committee and senior management on the status of the QAIP. External assessments will be carried out at least once every five years by an independent and qualified assessor or review team from outside the partner organisation. The assessment team must include at least one member who holds an active Certified Internal Auditor (CIA) credential.

9. Principles of Public Life and how WIASS interprets and applies them

Selflessness - protecting the public purse and ensuring all actions taken are solely in the public interest.

Integrity - completely independent and above undue bias or influence in the work that we do.

Objectivity - demonstrate impartiality and fairness in all aspects of our work and when reporting uses only the best evidence without discrimination or bias.

Accountability – provide transparency and assurance holding people to account in regard to decisions and actions and provide assurance to those in governance roles.

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.

Honesty – to provide independent assurance to those in governance of confirmation of truthfulness

Leadership – through the audit work actively promotes and robustly supports the principles and shows a willingness to challenge poor behaviour wherever it occurs.

10. Ethics & Professionalism Principles: WIASS Interpretation & Application

Demonstrate Integrity:

Officers are to approach their role with honesty and professional courage. 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. The Head of Service and supervisors are available to support officers and for officers to reach out to them to navigate challenges that test their integrity. Engagement supervision and periodic 1-2-1 meetings with officers provide appropriate guidance to officers to address situations that could pose a threat their honest and integrity in performance of their duties.

Maintain Objectivity:

Objectivity means preforming internal audit work without compromise or subordination of judgement to others. Objectivity is important in providing objective assurance and advice to the members and senior management. 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 the upcoming audit programme and the partners that WIASS work with to ensure objectivity is not impaired. Officers will not have direct responsibility or authority over any operational activities reviewed and should not relieve others of such responsibilities. No auditor, who has transferred from a Service, will audit that Service for a minimum of three years.

Demonstrate Competency:

Officers receive financial support for their studies and are allocated time off to pursue professional qualifications. WIASS staff uses feedback provided by stakeholders, peers and supervisors to identify opportunities for improvement and competencies. The Head of Internal Audit engages external service providers when the service collectively does not possess the competencies to perform requested services. Officers are in some cases assigned to engagements involving processes or areas with which they have limited experience, albeit with appropriate supervision, so that they can develop new knowledge.

Exercise Due Professional Care:

WIASS staff consider the interests of the partner's customers, other stakeholders such as fair and honest business practices, safety and potential exposure risks when planning and performing internal audit services. Officers also consider laws and regulations, policies and procedures, process flowcharts, performance reports, and external evaluations relevant to the activity under review. Workpapers are reviewed by engagement supervisors as well as all reports reviewed and approved for issue by the WIASS Head of

Service to ensure sufficient and reliable evidence are gathered to support conclusions. Training is available and provided when deemed necessary and relevant.

Maintain Confidentiality:
WIASS staff have unrestricted access to the data, records and other information including information that is confidential, proprietary and /or personally identifiable. Respecting the value and ownership of information received by using it for professional purposes and protecting it from unauthorised access or disclosure is important. There are procedures for retention, disposal and releasing of engagement records in place which internal auditors are required to comply with. All WIASS staff are responsible for maintaining the confidentiality of information received in the course of their work and compliance with the General Data Protection Regulation (GDPR).

11. External Relationships

10.1 The main contacts are with:

- Institute of Internal Auditors
- External Auditors
- Local Authorities in the Worcestershire area
- Local Authorities in the Midlands area
- Chartered Institute of Public Finance Accountants (CIPFA)

10.2 Assurance will be accepted and reported from 3rd parties as long as Internal Audit 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 3rd party certification e.g. IT integrity testing.

12. Version Control

Version Control:	Date of Change	Action	Updated by
1.0	2nd March 2012	Charter for WIASS	AB
2.0	9th August 2012	Update to Charter	AB
3.0	23rd April 2013	Update to Charter re. International Standards	AB
4.0	21st Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1st 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 3rd Parties	HG, AB, HT

		Inclusion of 8.3, assurance to 3rd Parties	
9.0	June 2021	Review of Charter	AB
10.0	June 2022	Review of Charter	AB
11.0	June 2023	Review of Charter	AB
12.0	February 2026	Full review in line with new Standards	GO-K, CG