



Internal Audit Charter
2020/21 to 2022/23

Audit charter

1. Introduction

The Council has committed to set up and maintain a permanent, independent, and objective internal audit function to operate across the Council. This Charter defines the purpose, objectives, and authority of the function.

2. Mission

The mission of Internal Audit is to assist the Council, elected members, Strategic Directors, and officers to appropriately manage the key risks to which the Council is exposed, and help improve the effectiveness of the Council's governance, risk management and internal control processes by providing risk-based and objective assurance, advice, and insight.

3. Objectives

The Internal Audit service:

- Provides independent and objective assurance and advisory activity.
- Adds value to the Council's operations and governance.
- Helps the Council to accomplish its activities by evaluating and improving the effectiveness of risk management, control and governance processes, taking into accounts public section internal auditing standards and guidance.
- Ensures outcomes of the audit programme are designed to provide senior management, elected members and the WCF Board with assurance that the Council is effectively governed and to provide guidance on improvements where required.
- Follows an identical audit approach for Worcestershire Children First (WCF) and maintain a separate audit plan reportable to their Board.
- Delivers audit activity as required by the Accounts and Audit (England) Regulations 2015.

4. Authority

To ensure the authority of the Internal Audit function the following arrangements are in place:

- The function is headed by the Chief Internal Auditor, who reports administratively to the Chief Financial Officer.
- The Chief Internal Auditor maintains regular contact with Leadership Team, including regular meetings with the Chief Executive, Strategic Directors, Chief Officers' Group, and the Leader of the Council.
- The Chief Internal Auditor attends and reports to the Audit and Governance Committee, and Strategic Leadership Team.
- The independence of the role is further supported by the arrangements for appointment and dismissal being confirmed by the Chief Executive and Chairman of the Audit and Governance Committee.

The Council cannot place any restrictions on the work of Internal Audit and staff engaged on audit work, either directly by the Council

or by one of our partners, are entitled to receive and have access to whatever information or explanations they require to fulfil their responsibilities to the Council. Internal Audit have full, free and unrestricted access to records, personnel or property of the Council; relevant security and privacy arrangements will be complied with.

5. Independence and objectivity

It is vital that the Internal Audit service remains independent and that the function remains free from all conditions that threaten the ability of the internal auditors to carry out their responsibilities in an unbiased manner. This includes audit selection, scope procedures, frequency, timing, and report content. Details of any impairment, in fact or appearance, will be reported by the Chief Internal Auditor to the Chair of the Audit and Governance Committee.

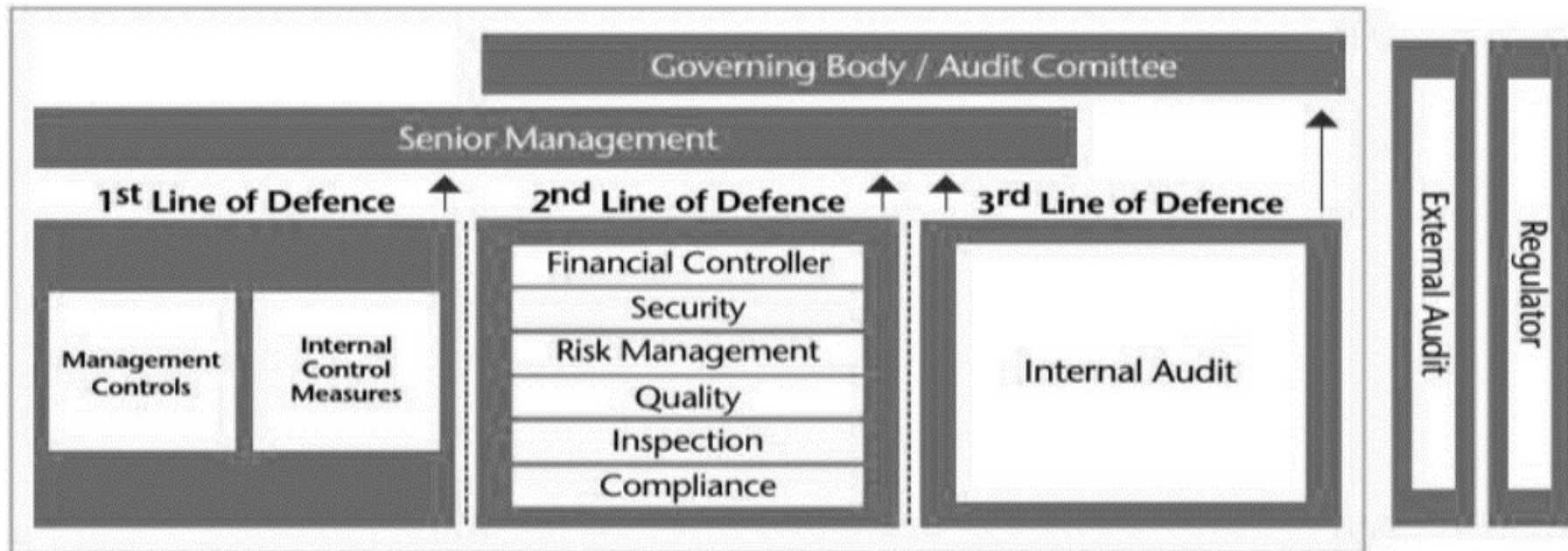
To ensure this independence and objectivity internal auditors provide advisory rather than decision making services, remaining independent of the activities we audit and rotating staff across audits.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or processes being examined
- Make balanced assessments of all available and relevant facts and circumstances
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

6. Organisational Status

The assurance levels are considered in conjunction with the Three Lines of Defence model.



The Three Lines of Defence model explains the relationship between the functions involved in assurance:

- 1st line of defence are the functions that own and manage risks
- 2nd line are the functions that oversee or specialize in the compliance or management of risk
- 3rd line are the functions that provide independent assurance.

7. Audit Approach

Internal Audit work will normally include, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments of the adequacy and effectiveness of governance, risk management, and control processes. Assessments include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed
- The actions of the Council's officers and elected members comply with our policies, procedures and applicable laws, regulations and governance standards
- Operations or programs are being carried out effectively and efficiently

8. Responsibilities of Internal Audit and Officers

Internal Audit is responsible for operating under the policies established by the Council in line with professional standards and best practice. We conduct our work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by the Public Sector Internal Audit Standards (PSIAS). Under these core principles Internal audit will always:

- Demonstrate integrity
- Demonstrate competence and due professional care
- Be objective and free from undue influence
- Align with strategies, objectives, and risks of the Council
- Be appropriately positioned and adequately resourced
- Demonstrate quality and continuous improvement
- Communicate effectively
- Produce risk-based assurance
- Be insightful, proactive, and future-focused
- Promote organizational improvement

Officers are responsible for agreeing the scope of internal audit work and for implementing agreed actions. The Strategic Leadership Team supports Internal Audit and ensures there is direct access and freedom to report findings and actions. Management will notify Internal Audit of any changes to key systems, legislation, processes, or staff to enable us to consider any potential impact on the audit plan.

Deliverables and the timeline for the audit will be agreed as part of the terms of reference. If information is not provided to agreed milestones, we will agree revisions if appropriate. If, however, information is still not provided we reserve the right to issue a report specifying the impact of gaps in evidence and the assurance level provided will reflect this.

9. Planning and reporting

Internal Audit produce an annual plan in consultation with senior managers and considering the Council's aims, strategies, key objectives, and associated risks. The strategic plan gives a three-year overview of activity and enables forward planning for identified changes and is supported by an annual plan which includes contingency allocation to allow us to respond to changing conditions and requests from managers. The plan is approved annually by the Audit and Governance Committee. The plan is reviewed regularly, and any changes discussed with the Chief Financial Officer. These changes are reported to the Audit and Governance Committee as part of our reporting schedule. The Chief Internal Auditor reports progress on the audit plan and action implementation to the Audit and

Governance Committee. An annual report is provided giving an opinion on the Council's system of internal control. This opinion forms part of the Annual Governance Statement.

Delivery of Internal Audit activity is governed by our Internal Audit Engagement Standards, which ensure:

- Terms of reference are agreed in advance for each audit to ensure that all parties agree what the audit will cover. Reasonable notice is given about the start and process of each audit, and we will work to minimise disruption to operational teams. We reserve the right to make unannounced visits if significant control risks are identified.
- Audit reports include an opinion on the adequacy of controls in the area reviewed, detail actions for improvement and agree the allocation of management responsibility and timeline for delivery with the relevant manager. Reports are agreed with the manager, usually following a presentation of findings to assistant director or operational manager and copied to the Strategic Director. Reports with financial implications are sent to the Chief Financial Officer. Audits resulting in a limited assurance opinion are reported to the Strategic Leadership Team and Leader of the Council.

Assurance audits will give an assurance level assessment providing an indication of the relative impact of the service on the Council's overall governance and effectiveness. Audit assurance levels are:

Full assurance	The system of internal control meets the Council's objectives. All the expected system controls tested are in place and are operating effectively. Future audits are undertaken in line with standard planning
Substantial assurance	There is a generally sound system of internal control in place designed to meet the Council's objectives. Weaknesses in the design of controls or inconsistent application of controls in a small number of low risk areas put the achievement of a limited number of system objectives at risk. The resulting risk is not significant. Future audits are undertaken in line with standard planning.
Moderate assurance	The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively, increasing the risk that the system does not meet the Council's objectives. An improvement review audit is undertaken within 3 years.
Limited assurance	Weaknesses in the design and / or inconsistent application of controls puts the achievement of the Council's objectives at risk in many areas reviewed. The resulting risk is significant. An improvement review audit is undertaken within 12-18 months.

10. Performance Measures

It is important as part of their ongoing assessment of the governance arrangements for the Council that the Strategic Leadership Team, Members and WCF Board can assess the quality and performance of both the Internal Audit Service and the

improvement output and response from the services audited. Performance is subject to regular monitoring against the following measures.

Performance Indicator	Measure	Frequency
Percentage of audit plan delivered	Count of completion	Monthly, with quarterly reporting
Proportions of audit ratings	Count of ratings	Monthly, with quarterly reporting
Qualifications and training	Detail of qualifications held	Twice yearly
SRD output reviews	In line with corporate approach	Twice yearly
Percentage of audit actions accepted	Count of audit actions	Monthly, with quarterly reporting
Percentage of audit actions implemented on time	Count of audit actions against due date	Monthly, with quarterly reporting
Completed grant certifications	Count of certifications	Monthly, with quarterly reporting
Percentage of audits completed to milestone dates	Comparison of audit completions to milestone dates	Monthly, with quarterly reporting
Regular 121s held with each member of staff	Review of management information	Monthly, with quarterly reporting

11. Quality assurance

All audit documentation is subject to internal review, to ensure consistency and clarity of reporting. Internal Audit are subject to quality standards in line with PSIAS standards which require assessment on a 5 year-basis. We will carry out self-assessment annually to ensure that these standards are met. We are planning to carry out an external assessment in 2021/22.