

## 1. Executive Summary

- 1.1. The purpose of this report is to provide the Council with an assessment of the effectiveness of its governance, risk management and internal control framework. Through a combination of internal audit assurance, certification and advisory activity, anti-fraud and corruption activity, and links to the risk management process, supported by my professional knowledge and judgement, I can provide a **MODERATE** assurance rating.
- 1.2. A moderate rating means that the control framework is adequate and controls to mitigate key risks are operating effectively, although improvements are needed. Key themes and issues are detailed below. This report should be considered in conjunction with the Annual Governance Statement which provides additional assessment of the governance framework of the Council.

## 2. Annual report

- 2.1. 2021/22 saw a return to more settled internal audit activity and, whilst we continued to work in a hybrid manner and experienced some Covid-related delays, we have been able to complete sufficient work to provide an assurance rating. Our assurance is drawn from a combination of internal audit work (assurance audits, advisory support, grant certifications and fraud / special investigations), internal governance activities and external inspections, whilst working closely with the new risk management process. As the audit programme is risk based this leads to an increased number of moderate and limited assurance outcomes. Details of the outcomes of our internal audit activity are given in section 3 of this report.
- 2.2. Our work across the Council and with key partners, such as Worcestershire Children First, has provided us with assurance that there is a control framework in place and that this framework is adequate and broadly effective. We have, however, identified areas where the framework lacks detail or requires updating; operational effectiveness is often reliant upon the knowledge and experience of relevant staff rather than application of the control framework. We have also identified a certain level of laxity around the application and governance of controls; failure to record decisions, insufficient rigour post go live or contract award, and a lack of clarity about levels of delegated authority are examples of this.
- 2.3. During the year the Chief Internal Auditor supported a review and update programme for the Council's Constitution. Unfortunately, this work has not been concluded and needs to be a key priority for the Council in 2022/23. The requirement for this update, alongside the need to strengthen the control and governance framework, is detailed in the Annual Governance Statement, which forms part of the Statutory Accounts.

- 2.4. Our work in 2021/22 was achieved with a full team in place. Across the team we are continuing to develop with staff studying for IIA (Institute of Internal Audit) and AAT (Association of Accounting Technicians) qualifications; other staff are currently being considered for study in 2022/23. The team have also fully engaged with the Council's mandatory training requirements and have engaged with external groups including Chief Internal Auditor and Anti-Fraud networking groups.
- 2.5. We provide audit services to Worcestershire Children First and the Worcestershire Pension Fund, including audit support to LGPS Central pooling arrangements. Audit of the activity of partners and service providers is key in ensuring that service risks are sufficiently managed, and that governance and control frameworks support the achievement of the Council's objectives. We have also received audit assurance for Liberata (our payroll provider) and West Mercia Energy and these form an important part of overall assurance.
- 2.6. We have seen a more proactive response to action resolution across audit clients, reflecting a combination of greater engagement and agreed, clear actions in our reports. Whilst we still have actions outstanding, the audits these relate to have reduced, with 31 actions outstanding over 11 audits compared with 36 actions over 20 audits from this point last year. The table below provides a breakdown of outstanding actions with further detail provided in Appendix 1, and Committee should note that of the 31 actions overdue 22 relate to schools. We are working closely with the Worcestershire Children First schools' team to follow these up.

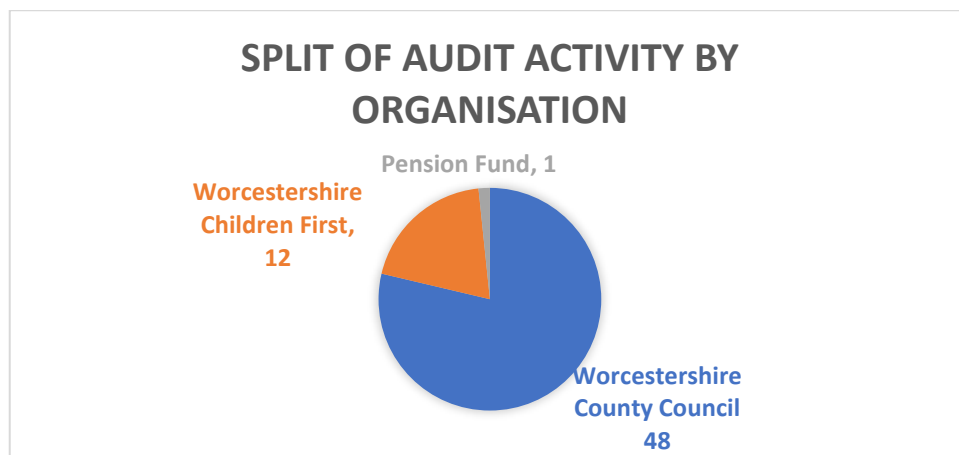
<b>Actions analysis over 11 audits</b>	
Actions not due	8
Transferred to Limited assurance follow up audits	2
Cleared	44
0-3 months overdue	10
3-6 months overdue	13
6-12 months overdue	7
>12 months overdue	1
Total overdue actions	31

- 2.7. The inclusion of Risk Management in our service area has been important, as we have continued to see the risk management process embed across the Council. This has enabled our audit focus to respond to high level and emerging risks. During 2021/22 recruitment was a continuing high-risk theme; we have initiated a starter's process and a leaver's process audit to evaluate the effectiveness of the risk mitigations as put forward by relevant service areas. These audits will enable to feedback into the risk process as part of the continuous cycle of evaluation.

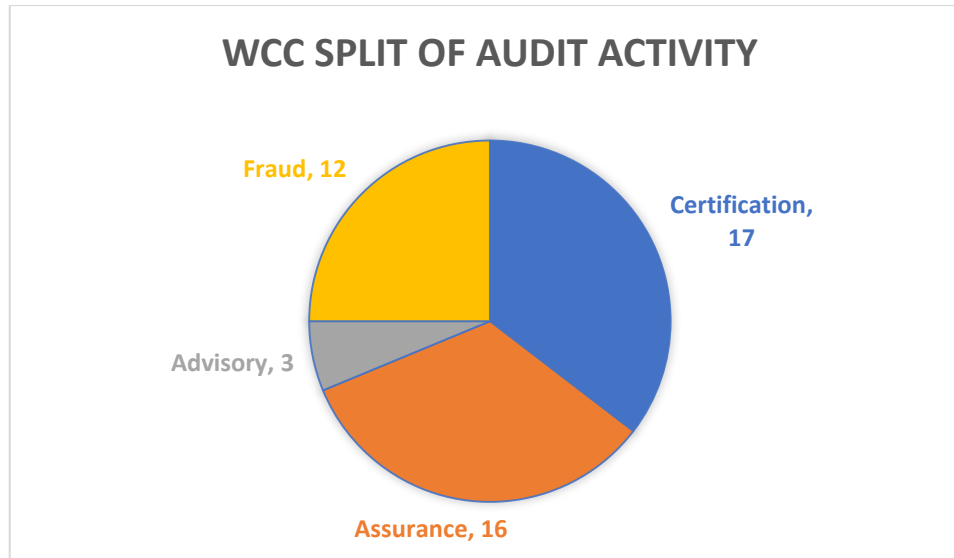
- 2.8. Our plan for 2021/22 included an external PSIAS (Public Sector Internal Audit Standards) assessment. This has been delayed as the team have focussed on delivering the plan. Review is required by professional standards at least every 5 years and, as the service has been provided in house since 2019, we are within the required timeline.

### 3. Summary of Internal Audit activity

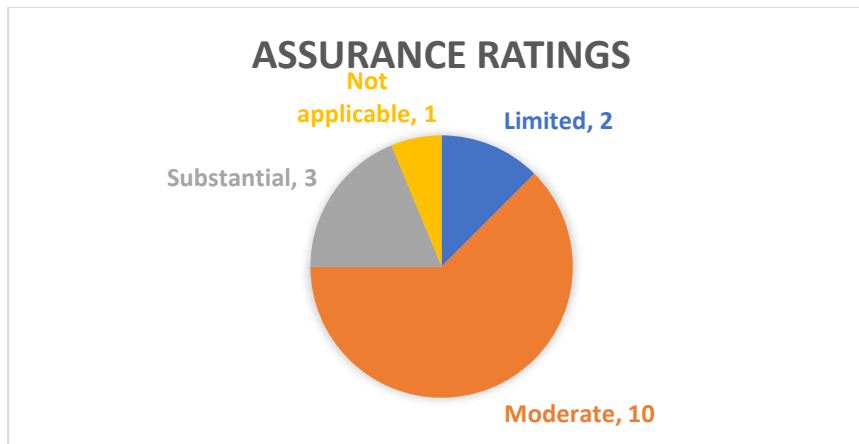
- 3.1. The Internal audit service supports the County Council, the Worcestershire Pension Fund and Worcestershire Children First (WCF), and the proportion of work in each area is given in the chart below. Work for the Pension Fund and WCF is key in providing assurance to the Council as they directly support Council objectives. The remainder of the report will focus on work delivered for the County Council.



- 3.2. 48 items of audit activity have been completed for the Council, split between assurance audits, grant certifications, advisory work and fraud / special investigations, and proportions shown in the chart below. The detail of audit activity is given in Appendix 2.



- 3.3. Assurance audits delivered the following ratings. Committee is reminded that the proportion of moderate and limited assurance ratings will be higher as the audit plan is determined by the risk profile of the Council. The not applicable rating is for the debt management limited assurance interim follow up audit; as work is continuing to transform the service we will carry out an additional review in 2022/23.



- 3.4. Following limited school audit engagement in previous years, we have worked closely with the School Support Forum to provide schools audit coverage, focussing on schools where additional support is required. 8 schools have been audited during the year and number of these schools had significant deficits and the audit focus has been governance and financial management.

#### **4. Quality assurance and improvement programme**

- 4.1. In line with PSIAS requirements we are striving to provide excellent audit services to our clients and continually review and identify improvements. Key to this ambition is how we work as a team; we meet regularly to consider work undertaken, challenge assumptions and outcomes, share learning and knowledge, and identify areas for improvement and development.
- 4.2. 2021/22 has seen improved communication with all areas of the Council, with more frequent discussions at senior levels and with leadership teams. We are also playing a key role in operational staff finance training to ensure that awareness of internal audit is embedded throughout the Council.
- 4.3. Our plan for 2022/23 includes the continued evaluation of emerging risks to determine audit programme, with quarterly planning to enable more effective response. Closer links to leadership teams enable us to discuss and agree work programmes, based on service risk profiles.
- 4.4. All staff in the team have completed their mandatory training and received year-end assessments as part of the Council's performance assessment framework.