

AUDIT AND GOVERNANCE COMMITTEE

8 MARCH 2024

INTERNAL AUDIT AND COUNTER FRAUD PLAN 2024/2025

Recommendation

- 1. The Chief Internal Auditor recommends that the Internal Audit and Counter Fraud Plan 2024/2025 be approved.**

Background

2. The Global Internal Audit Standards are due to replace the current Public Sector Internal Audit Standards (PSIAS) in January 2025. The standards set out the requirements of a 'Board' and the Chief Audit Executive. For the purposes of the internal audit function within the Council the role of the Board within the Standards is taken by the Council's Audit and Governance Committee and the Chief Audit Executive is the Chief Internal Auditor. The Audit and Governance Committee, under its Terms of Reference contained in the Council's Constitution, is required to consider the Internal Audit Plan to provide assurance to support the governance framework.
3. This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Function. The Function will be transitioning over the coming 12 to 18 months to become more risk based and return to being conformant with Sector Standards. The conformance will be tested against the new Global Internal Audit Standards using an independent external assessment during 2025. The outcome of this assessment will be reported before Audit and Governance Committee and used as a further tool to develop the Function and add to the quality assurance.
4. The Chief Internal Auditor is responsible for developing a risk-based plan which considers the organisation's risk management framework, including using risk tolerance levels set by management for the different activities or parts of the organisation. The outline plan can be found at Appendix 1.

Internal auditing

5. 2024/25 will see significant changes taking place within the organisation due to financial restrictions and a reduction in the overall workforce. Where there is change there is potential risk. The need for robust and effective controls to ensure that resources are used to best effect and deliver the authority's objectives has never been greater. Internal audit strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Preparing a plan that addresses the emerging risks and developing areas for the Council, whilst still covering the material and cross cutting systems, is essential and ensures that internal audit resources are directed in the most appropriate way.

6. The audit plan represents the proposed internal audit function for the year and an outline scope of coverage. At the start of each audit the scope will be discussed and agreed with stakeholders with the view to providing management, the Chief Financial Officer (Section 151) and Members with assurance on the control framework to manage the risks identified. The plan will remain flexible, and any changes will be agreed formally with the Chief Financial Officer (Section 151) on a regular basis and reported to Audit and Governance Committee.

7. The audit plan has taken into consideration the organisational changes for 2024/25 and the breakdown across the revised organisational structure can be seen at Appendix 1. The new structure is shown along with a breakdown of the proposed audit work within each of the Directorates. Where working arrangements cut across different Directorates these are shown separately e.g. financials, cyber, certification.

Plan Formulation

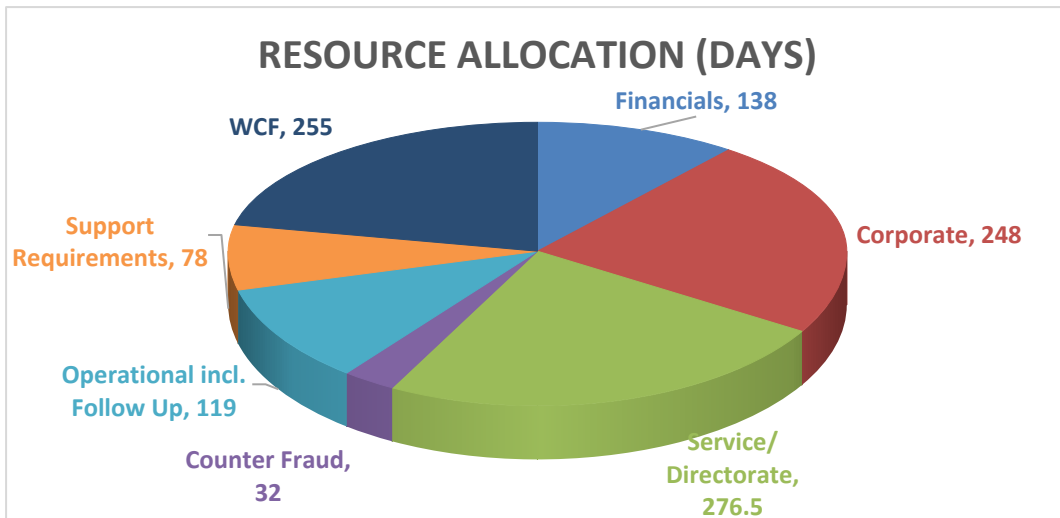
8. There continues to be a growing trend in the sector towards agile auditing. This way of auditing provides for a more flexible and responsive approach towards changing risks, in turn maximising resource focus to stakeholders when needed.

Benefits of this approach include:

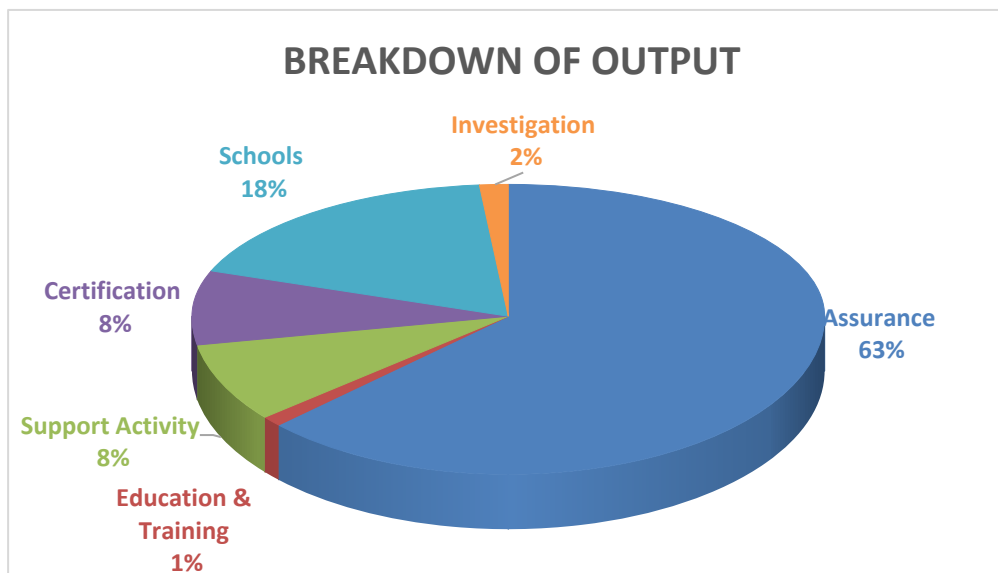
- Greater and more regular discussion with stakeholder leads.
- Improved opportunity to keep the plan aligned to changing risks within the Services and the Authority as a whole.
- Plans change regularly so a reduction in non-productive resource planning.

9. The audit plan is always built around the risks identified through risk management, local knowledge, audit needs, perceptions of current issues and in discussion with stakeholder management. The audit resource deployment for 2024/25 will provide opportunity for greater depth of coverage across a wider base of subjects.

10. The Internal Audit Plan (Appendix 1) details the coverage and approach we will take to provide assurance to the Council. This also takes account of the new council structure which was approved at Council on 15 February 2024. The Plan is always built around organisational core priorities, risk management, local knowledge, audit requirements, perceptions of current issues in discussion with stakeholder management and other assurance processes. The most appropriate review method i.e., process, hybrid, light touch, critical friend/advisory will be decided as part of the detailed scoping depending on the circumstances and risks that present at the time the review is undertaken. The indicative resource allocation across the service areas to meet this summary plan is set out in the pie chart below. This indicates a balanced but wide coverage across key business functions which will provide assurance on the wider control framework from which to produce the annual assurance opinion. The total number of internal audit days for 2024/25 is 1,146.5 Of a total number of days Corporate, Financials and Service/Directorate specific audits amount to a total of 662.5 days which is circa 58% of the plan. Worcestershire Children First amounts to 22% of the plan.



11. The audit plan identifies key corporate, service risks and areas identified as of greatest audit need. Our expectation is that audit work is of most need in these areas. These are all underpinned by our core assurance work on the main financial systems, infrastructure systems and processes used to administer the most significant income and expenditure flows. Additional to this we expect to provide an allocation of resource on demand to service areas which is unscheduled and which we refer to as the 'flexible plan' and advisory services. This is where we expect the greatest amount of potential change to meet the Authority's and Service needs as risks and priorities change through the year. The breakdown of expected outputs can be seen below in the pie chart. The greatest allocation of the audit plan, 63%, will be for assurance audits, certification of grants amounts to 8% of the plan and support activity including training and investigation amounts to 11% of the plan.



12. School audits have in the past featured prominently in the plan. 2024/25 will see a realigning of this resource requirement with a reduced coverage but more targeted engagement driven by identified risks within the school environment and areas of known weakness/risk. 18% of the plan total is allocated to Schools.

13. An element of our work ensures effective and efficient audit activity is provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances, this work results in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. To provide for this an advisory budget is included in the Plan. The three lines of defence model will also be a key influencer with stakeholders and reviews and can be seen at Appendix 3.

Follow-up and implementation

14. Follow up is a key aspect of internal audit function, ensuring potential risks have been mitigated to an acceptable level in a timely manner. The Plan details several areas where follow up will take place where limited assurance outcomes were reported to ensure that evidence is in place to mitigate any high-risk issues.

Anti-Fraud and Corruption

15. Fraud Prevention and Detection and the National Fraud Initiative Counter-Fraud arrangements remains a priority for the Council and assisting in the protection of public funds and accountability. May 2023 saw, through natural churn of staff, the Internal Audit team resource that was dedicated to anti-fraud and corruption reduce and Risk Management transferred to COaCH from October 2023. From April 2024 a dedicated resource is no longer available in the Internal Team. To compensate for this, internal audit work will contain elements of anti-fraud, bribery and corruption to ensure that sound and effective arrangements are in place to prevent and detect fraud and / or irregularity. Instances of potential fraud and irregularities will be investigated.

16. The Council remain committed to reducing fraud, bribery and corruption. 2024/25 will see a relaunch of the Anti-Fraud, Bribery and Corruption Policy and Procedure and the Anti-Money Laundering Policy. In recognition of the guidance in the Fraud Strategy for Local Government "Fighting Fraud Locally" there is a focus on stopping it before it happens. Nationally these areas include Procurement, Payroll, Blue Badges, Direct Payments and Pensions. For 2024-25 we propose to cover several of these areas in conjunction with corporate risk and continuing support for the National Fraud Initiative. Training and awareness is also under consideration with the launch of a new e-Learning module as part of the mandatory training programme. The new module is currently under development but when ready will be rolled out across the Council.

Third Party Assurance

17. We recognise there are other review functions which provide sources of assurance, both internally and externally, (e.g., ICT Public Service Network, cyber essentials assurance testing) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus expanding the internal assurance coverage without specifically including the area in the plan.

External Audit

18. To try to reduce duplication of effort we understand the importance of working with our External Auditors. The audit plan is shared with the external auditors for information along with some of the outcomes over the year. We will seek to develop a closer working relationship with our External Auditors Grant Thornton during 2024/25 which will be beneficial to both parties.

Resourcing

19. 2024/25 will see a reduced resource for Internal Audit due to the Corporate savings requirement. The loss of 1.4 FTE's will have a direct impact, which has been mitigated by the risk assessment / approach on the audit planning. The impact will be a reduced internal audit plan as well as a loss of mentoring capacity for the Auditors. The resource requirements have been assessed and the 2024/25 Plan is based on the revised establishment. Those areas which had been identified as areas for consideration for the Plan that have not been included can be seen Appendix 1. We will continually review the plan against the risks of the Council and related organisations and will provide updates to Committee on a quarterly basis highlighting any adjustments.

Internal Audit Mandate and Charter

20. The Internal Audit Mandate and Charter (Appendix 2) are provided for approval. The Audit Charter will transition with the Function during 2024/25 and a revised version will be brought before Committee for further approval. The current Charter remains fit for purpose and along with the Mandate provides the directive under which the team operates.

Reporting

21. The Plan delivery will be reported to Committee on a quarterly basis and will be a key tool for the Audit and Governance Committee to monitor progress.

Contact Points

Specific Contact Points for this report

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Supporting Information

Appendix 1 – Internal Audit Plan 2024/2025 Plan

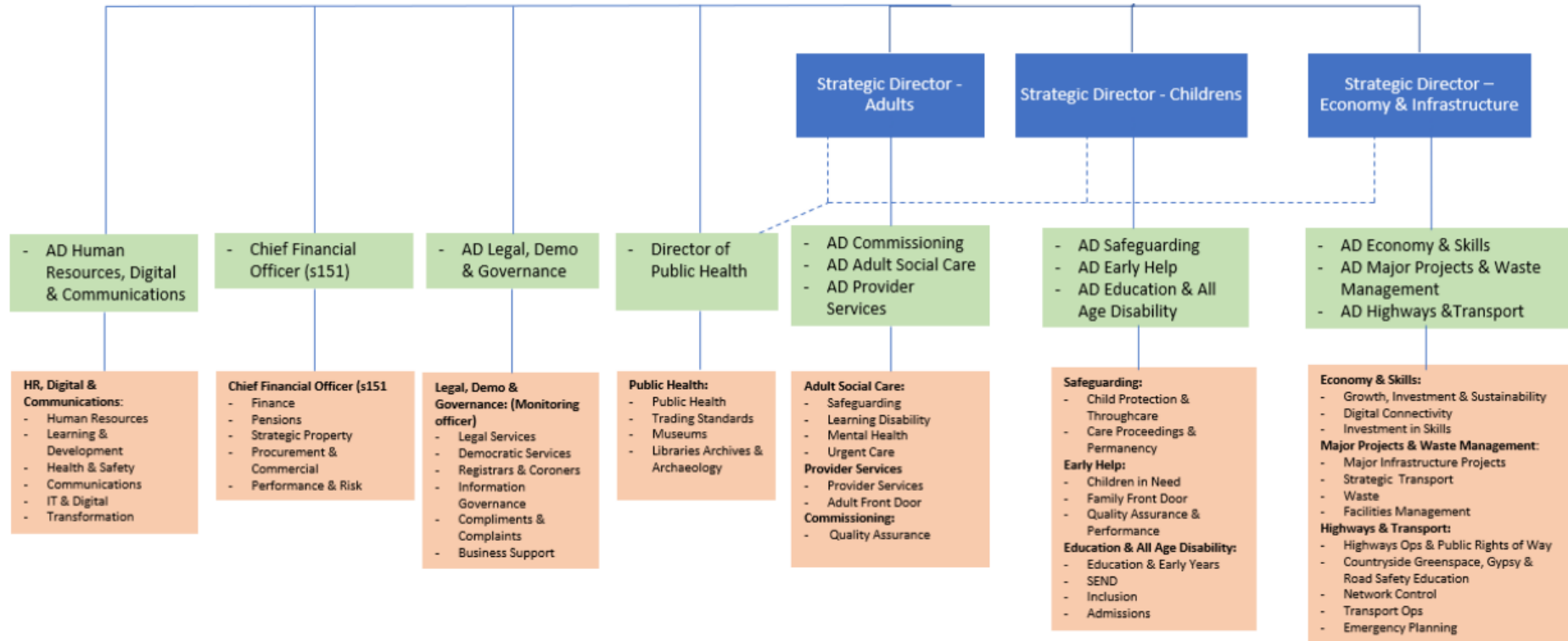
Appendix 2 – Audit Mandate and Charter

Appendix 3 – 3 Lines of Defence Model

Background Papers

In the opinion of the proper officer (in this case the Chief Internal Auditor) there are no background papers relating to the subject matter.

Internal Audit Plan 2024/25



Core Assurance	Key Financial Systems — Accounts payable & receivable, Payroll, Treasury Management, Bank Reconciliation, Budget & Debt Management.
	Cyber — Patch management, new systems, user profiling.
	Grants — Capital Transfer, Bus Subsidy, Disabled Facilities, Home Upgrades.

Breakdown of Audit Coverage by Revised Directorates.

Chief Financial Officer

FINANCIALS.
PENSIONS.
NFI.
PERFORMANCE.
RISK MANAGEMENT.
COUNTER FRAUD.

Public Health

WORK
COMPLETED IN
2023/24

Worcestershire Children First

WCF SERVICE TRANSFER.
SCHOOLS.
CERTIFICATIONS.
MILEAGE CLAIMS

Human Resources, Digital and Comms

HR MILEAGE &
EXPENSES.
CYBER.

Legal, Democratic & Governance

MEMBERSHIP OF BODIES.
SCHEME OF DELEGATION.
CONTRACT REGULATIONS.
GDPR AND DATA HANDLING.
ANNUAL GOVERNANCE STATEMENT.
DECLARATION OF INTERESTS.
OFFICER DECISION TRANSPARENCY.

Adults

WORKING WITH
PEOPLE.
DIRECT PAYMENTS.

Economic and Infrastructure.

CONTRACT MANAGEMENT
AND MONITORING.
PROCUREMENT.
TENDERING.
VALUE FOR MONEY.
SHRUB HILL.

Follow Up on previous audits across all Directorates.

Internal Audit Plan for 2024/25

Area	Indicative Output	Audit Area	Total Days	Indicative Quarter	Driving Factor	Risk Source*	Strategic Objective
Financials	Assurance	Accounts Receivable	27.00	2/3	Organisational structural change within the Council may result in changes to key processes. IA to provide assurance systems remain fit for purpose.	R0001: CEU: Service Failing: Systems Failure R0007: CEU: Service Failing: Insufficient capacity to deliver key financial services	Good Governance
Financials	Assurance	Accounts Payable	22.00	2/3	Organisational structural change within the Council may result in changes to key processes. IA to provide assurance systems remain fit for purpose.	R0001: CEU: Service Failing: Systems Failure R0007: CEU: Service Failing: Insufficient capacity to deliver key financial services	Good Governance
Financials	Assurance	Debt Management	22.00	3	Limited Assurance follow up. IA to provide assurance system is fit for purpose due to the previous findings so this will be a hybrid approach with significant amount of testing.	R0001: CEU: Service Failing: Systems Failure R0007: CEU: Service Failing: Insufficient capacity to deliver key financial services	Good Governance
Financials	Assurance	Payroll	17.00	2	Significant expenditure on payroll. Internal Auditors for Liberata will be undertaking an audit for payroll so watching brief and independent review requirement using data analytics required.	R0001: CEU: Service Failing: Systems Failure R0007: CEU: Service Failing: Insufficient capacity to deliver key financial services	Good Governance
Financials	Assurance	Budget Monitoring	22.00	3	Due to the current financial situation, it is imperative that the Council budget monitors and savings are realised. IA to provide assurance this is happening.	R0002: CEU: Service Failing: Financial Stability	Good Governance
Financials	Assurance	Bank Reconciliation	11.50	2	Organisational structural change within the Council may result in changes to key processes. IA to provide assurance systems remain fit for purpose.	R0001: CEU: Service Failing: Systems Failure R0007: CEU: Service Failing: Insufficient capacity to deliver key financial services	Good Governance

Area	Indicative Output	Audit Area	Total Days	Indicative Quarter	Driving Factor	Risk Source*	Strategic Objective
Financials	Assurance	Treasury Management	16.50	2	Significant value of investments and borrowing being undertaken in the Council. IA to provide system mapping and assurance system remains fit for purpose.	R0001: CEU: Service Failing: Systems Failure R0007: CEU: Service Failing: Insufficient capacity to deliver key financial services	Good Governance
Corporate	Certification	Disabled Facilities Grant	1.00	2	Declaration required as part of grant conditions	Grant requirement risk of loss of income to deliver services if declaration not provided to grant paying body	Health and Wellbeing
Corporate	Certification	Bus Subsidy (Revenue) Grant	6.00	2	Declaration required as part of grant conditions	R0104: E&I: Service Failing: Failure to meet Business as Usual R0113: E&I: Service Failing: Failure to maintain commercial bus operations	Good Governance
Corporate	Certification	Worcester Business Central Growth Hub	7.00	1	Declaration required as part of grant conditions	Grant requirement risk of loss of income to deliver services if declaration not provided to grant paying body	Good Governance
Corporate	Certification	Capital Transport Grant	9.50	2	Declaration required as part of grant conditions	R0104: E&I: Service Failing: Failure to meet Business as Usual	Good Governance
Corporate	Certification	Home Upgrade Grant	9.50	1	Declaration required as part of grant conditions	Grant requirement risk of loss of income to deliver services if declaration not provided to grant paying body	The Environment
Corporate	Certification	Bus Service Improvement Plans (BSIP)	17.00	1/2	Declaration required as part of grant conditions	R0104: E&I: Service Failing: Failure to meet Business as Usual R0113: E&I: Service Failing: Failure to maintain commercial bus operations	Good Governance

Area	Indicative Output	Audit Area	Total Days	Indicative Quarter	Driving Factor	Risk Source*	Strategic Objective
Corporate	Assurance	Cyber Security	33.00	2	Increasing risk around cyber security. A topic which is high on the agenda of Internal Audit.	R0025: Co&CH: Service Failing: Security - Cyber Security	All
Corporate	Assurance	Risk Management	16.50	2	Risk Management moved from Internal Audit to CoaCH and processes have been revisited. IA to provide assurance on the processes in place. Requirement of the new Global Internal Audit Standards to review risk management.	Risk identified by Internal Audit and External Audit	All
Corporate	Assurance	Performance Data (Rolling Programme)	16.50	1	Performance Data that is in the public domain will be checked for accuracy.	Risk identified by Internal Audit.	Good Governance
Corporate	Assurance	GDPR and Data Handling (Rolling Programme)	16.50	2	IA to provide assurance that the Council is complying with General Data Protection Regulations (GDPR).	R0014: Co&CH: Breach of Law / Legislation: New business processes don't take information risk into account. R0015: Co&CH: Breach of Law / Legislation: Despite having procedures and rules, staff, acting in error, do the wrong thing / Inappropriate disclosure of sensitive personal information. R0016: Co&CH: Breach of Law / Legislation: Inappropriate management of records.	Good Governance
Corporate	Assurance	Scheme of Delegation	22.00	3	The constitution is being updated therefore IA to provide assurance on the implementation.	Monitoring Officer / Deputy S151 Officer	Good Governance
Corporate	Assurance	Officer Decision Transparency	22.00	1	To check governance arrangements regarding the transparency of decision making within the Council.	Monitoring Officer / Deputy S151 Officer	Good Governance

Area	Indicative Output	Audit Area	Total Days	Indicative Quarter	Driving Factor	Risk Source*	Strategic Objective
Corporate	Assurance	Membership of Bodies	16.50	2	To check governance arrangements regarding the membership of staff and Councillors	Monitoring Officer	Good Governance
Corporate	Assurance	Declarations of Interest	16.50	2	To check governance arrangements regarding declarations of staff and members.	Internal Audit	Good Governance
Corporate	Assurance	Contract Regulations	22.00	4	The constitution is being updated therefore IA to provide assurance on the implementation.	R0068: COaCH: Financial Impact: Contract Management	Good Governance
Corporate	Assurance	Annual Governance Statement (AGS)	16.50	1	The AGS is an important document on the governance of the Council. IA to provide assurance on the source data included in the statement.	Internal Audit	Good Governance
Service/ Directorate	Assurance	E&I: Contract Management and Monitoring	32.50	1	Limited audit coverage in E&I during 2023/2024 in an area of complex projects and large spend. IA to provide assurance on processes in place.	R0104: E&I: Service Failing: Failure to meet Business as Usual R0105: E&I: Financial Impact: Failure to deliver Major Construction and Economic Development Projects R0109: E&I: Service Failing: Ineffective procurement and contract management	Good Governance
Service/ Directorate	Assurance	E&I: Procurement	32.50	1	Limited audit coverage in E&I during 2023/2024 in an area of complex projects and large spend. IA to provide assurance on processes in place.	Risk R0104: E&I: Service Failing: Failure to meet Business as Usual R0109: E&I: Service Failing: Ineffective procurement and contract management	Good Governance
Service/ Directorate	Assurance	E&I: Tendering	32.50	1	Limited audit coverage in E&I during 2023/2024 in an area of complex projects and large spend. IA to provide assurance on processes in place.	Risk R0104: E&I: Service Failing: Failure to meet Business as Usual R0109: E&I: Service Failing: Ineffective procurement and contract management	Good Governance

Area	Indicative Output	Audit Area	Total Days	Indicative Quarter	Driving Factor	Risk Source*	Strategic Objective
Service/ Directorate	Assurance	E&I: Economy - Value for Money	22.00	2	Limited audit coverage in E&I during 2023/2024 in an area of complex projects and large spend. IA to provide assurance on processes in place.	R0104: E&I: Service Failing: Failure to meet Business as Usual	Good Governance
Service/ Directorate	Assurance	E&I: Shrub Hill Governance	16.50	4	Limited Assurance follow up	R0105: E&I: Financial Impact: Failure to deliver Major Construction and Economic Development Projects	Good Governance
Service/ Directorate	Assurance	Adults: Adult Social Care- Working with People	16.50	1	Moderate Assurance follow up	R0082: People: Service Failings: Social Care Standards	Health and Wellbeing
Service/ Directorate	Assurance	Adults: Direct Payments	20.00	2	Moderate Assurance follow up	Internal Audit	Health and Wellbeing
Service/ Directorate	Assurance	ChEx: HR Mileage and Expenses	16.50	4	Moderate Assurance follow up	Follow up audit	Good Governance
Service/ Directorate	Assurance	Worcestershire Children First (WCF transfer)	27.50	4	WCF is transferring back to the County Council as at 01/10/2024. Time has been included in the plan to review the transfer (details to be confirmed later)	Internal Audit	Children and Families
Service/ Directorate	Assurance	WCF: Mileage Claims for Foster Carers	5.50	2	In-depth follow up of recommendation from the additional foster care payments report.	Result of 2023/2024 audit	Children and Families
Service/ Directorate	Assurance	Contract Management	32.50	4	Contracts within the Council are significant expenditure so IA to provide assurance that contracts are managed appropriately.	R0068: COaCH: Financial Impact: Contract Management	All
Service/ Directorate	Assurance	Pensions	22.00	4	Due to the nature of the Pension Fund, IA to provide assurance due process is being followed.	Internal Audit	Good Governance
Counter Fraud	Educational	Training/Education Material	5.00	1/2/3/4	Time included to provide training.	N/A	N/A

Area	Indicative Output	Audit Area	Total Days	Indicative Quarter	Driving Factor	Risk Source*	Strategic Objective
Counter Fraud	Educational	Yammer Posts	7.00	1/2/3/4	Educational service to raise awareness of the current fraud issues	N/A	N/A
Counter Fraud	Investigation	NFI	6.00	3	Statutory Requirement – coordination of data matching service	N/A	N/A
Counter Fraud	Investigation	Investigations	10.00	1/2/3/4	Time included to enable any fraud investigations to be undertaken.	N/A	N/A
Counter Fraud	Investigation	Monitoring Fraud Hotline	4.00	1/2/3/4	Required to monitor the calls being received via the hotline and triage of the information received	N/A	N/A
Operational	Assurance	Contingency (Agile auditing)	30.00	1/2/3/4	Provides flexibility in the plan to include additional work or extend planned work if needed	N/A	N/A
Operational	Assurance	Follow up (review of actions)	52.00	1/2/3/4	Key requirement of good governance to ensure actions have been implemented to mitigate potential risk	N/A	N/A
Operational	Assurance	Completion of 2023/2024 year reviews	22.00	1	Allows the completion of previous year audit assignments not finalised by the 31 st March.	N/A	N/A
Support Requirements		Advisory	15.00	1/2/3/4	Adhoc queries and reviews when received by officers of the Council/WCF.	N/A	N/A
Support Requirements		Mtgs, cttee support, horizon scanning, networking	38.00	1/2/3/4	Required to support the Internal Audit service	N/A	N/A
Support Requirements		Service Plan delivery	40.00	1/2/3/4	Requirement to continuously improve the service and become conformant with the Global Internal Audit Standards	N/A	N/A
WCF	School	Blackminster Middle School	22.00	4	Limited Assurance follow up	Follow up audit	Children and Families
WCF	School	Dodford First School	22.00	4	Limited Assurance follow up	Follow up audit	Children and Families

Area	Indicative Output	Audit Area	Total Days	Indicative Quarter	Driving Factor	Risk Source*	Strategic Objective
WCF	School	School 1 (full)	22.00	1	Review of schools on a risk basis	Internal Audit	Children and Families
WCF	School	School 2 (full)	22.00	3	Review of schools on a risk basis	Internal Audit	Children and Families
WCF	School	School 3 (full)	22.00	4	Review of schools on a risk basis	Internal Audit	Children and Families
WCF	School	School 4 (full)	22.00	3	Review of schools on a risk basis	Internal Audit	Children and Families
WCF	School	School 1 (Focused)	11.50	4	Review of schools on a risk basis	Internal Audit	Children and Families
WCF	School	School 2 (Focused)	11.50	3	Review of schools on a risk basis	Internal Audit	Children and Families
WCF	School	School 3 (Focused)	11.50	4	Review of schools on a risk basis	Internal Audit	Children and Families
WCF	School	School Thematic	17.00	3	Review area which covers governance across multiple schools	Internal Audit	Children and Families
WCF	School	School Thematic	17.00	3	Review area which covers governance across multiple schools	Internal Audit	Children and Families
WCF	School	School - School Funds (converting schools)	12.00	1/2/3/4	Risk of loss of money to the Council should a school convert, and the school fund owes money to the school bank account.	Schools Finance / Internal Audit	Children and Families
WCF	Assurance	High Needs Block	5.00	1/2/3/4	LA follow up & raised by external audit	R0095: WCF: Service Failings: Ability to provide education placements for all children within Worcestershire, including school financial pressures, HTST costs, DSG funding, school organisation and free school meals (FSM)	Children and Families

Area	Indicative Output	Audit Area	Total Days	Indicative Quarter	Driving Factor	Risk Source*	Strategic Objective
WCF	Certification	Youth Justice Grant	6.00	1	Declaration required as part of grant conditions	N/A	Children and Families
WCF	Certification	Supporting Families Quarter 1	5.50	1	Declaration required as part of grant conditions	N/A	Children and Families
WCF	Certification	Supporting Families Quarter 2	5.50	2	Declaration required as part of grant conditions	N/A	Children and Families
WCF	Certification	Supporting Families Quarter 3	5.50	3	Declaration required as part of grant conditions	N/A	Children and Families
WCF	Certification	Supporting Families Quarter 4	5.50	4	Declaration required as part of grant conditions	N/A	Children and Families
	Certification	Management review of letters for SF's	1.00	1/2/3/4	Declaration required as part of grant conditions	N/A	Children and Families
WCF	Certification	Basic Needs 2023/2024	6.00	2	Declaration required as part of grant conditions	N/A	Children and Families
WCF	Certification	Higher Level Needs	2.50	2	Declaration required as part of grant conditions	N/A	Children and Families
			1,146.50				

Note:

* The risk source has been identified from stakeholder management and the Corporate Risk Register. Where the Corporate Risk Register has been referred to the reference is the risk entry along with the Directorate and basic details.

Areas that have been considered for inclusion in the 2024/25 Plan, but not incorporated due to higher risk areas identified and a reduced resource availability:

- 1x full School audit as the resource has been allocated to 2x School follow up audits instead.
- 2x focused School audits.
- Public Health. A reliance is being placed on work completed in 2023/24. This area will feature in the 2025/26 Plan but a watching brief will be kept on the area during 2024/25.
- Environmental, Social and Corporate Governance (ESG)

It is considered that audit resource is better focussed to those areas identified in the plan for the coming year based on risk.

Internal Audit Charter and Mandate

Internal Audit Charter

2024/2025

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Audit Charter

Introduction

The Council has a permanent, independent, and objective Internal Audit Service to operate across the Council. This charter defines the purpose, objectives, and authority of the Service. The audit function is required by the Accounts and Audit (England) Regulations 2015.

Vision

The Internal Audit Service will be an independent, objective assurance and advisory service designed to add value and improve the organisation's operations. It will help the organisation accomplish its strategic needs by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit Service will continuously seek to develop staff competencies, the function as a whole and work towards obtaining a successful independent external assessment against the Global Internal Audit Standards 2024 to provide assurance to those in governance that as a Service it is operating within the industry standards.

Mission

Internal Audit is a customer focused, modern, innovative, service aligned to assisting the delivery of the corporate strategic needs. It will enhance and protect organisational values by providing advisory activity, risk based objective assurance, advice and insight using agile auditing methods.

Authority

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

- The Service is headed by the Chief Internal Auditor, who reports administratively to the Chief Financial Officer (s151 Officer).
- The Chief Internal Auditor maintains regular contact with the 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 albeit this is not the responsibility 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.

Independence and Objectivity

It is vital that the Internal Audit Service remains independent and 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.

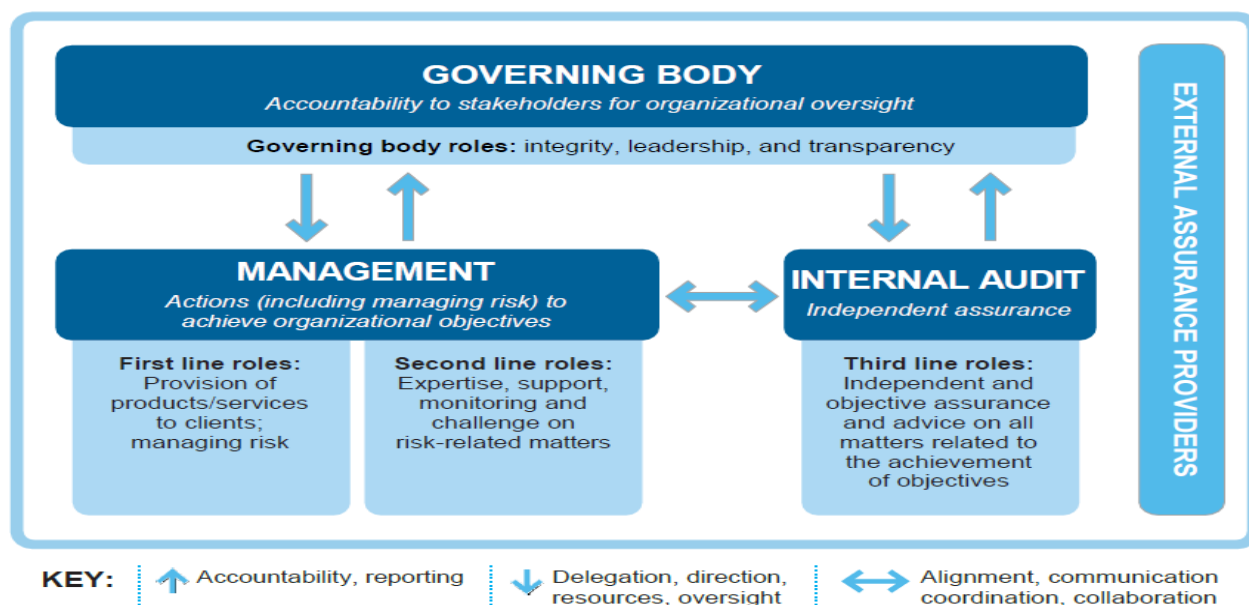
To ensure this independence and objectivity internal auditors provide advisory rather than decision making services, remaining independent of the activities we audit and rotating staff across audits.

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.

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 specialise in the compliance or management of risk.
- 3rd line are the functions that provide independent assurance.

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.

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 Global Internal Audit Standards. Using the Global Standards 5 domains Internal audit will always:

- Demonstrate a clear purpose of internal auditing.
- Demonstrate ethics and professionalism.
- Ensure good governance of the Internal Audit Service.
- Ensure good management of the Internal Audit Service.
- Efficiently plan and provide internal audit services with the engagement of stakeholders.

Conformance with the Global Internal Audit Standards is certified by independently assessment. This assessment for the Service is due to take place during 2025. Until this assessment has taken place the phrase 'conformant with the Global Internal Audit Standards' will not be used in any reports.

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.

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 an annual overview of activity and enables forward planning for identified changes. It includes an advisory 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 the:

- Planning and terms of reference being agreed in advance for each audit to ensure that all parties agree what the audit will and will not 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, and,
- Audit reports which include an opinion on the adequacy of controls in the area reviewed. Detailed actions for improvement and agreement of the allocation of management responsibility and timeline for delivery with the relevant manager are also included. 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 are followed up within 6 months.

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 from 1st April 2024 are:

Substantial	A sound system of governance, risk, management, and control exists, with internal controls operating effectively and being consistently applied to support the achievement of the objectives in the area audited.
Satisfactory	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of the objectives in the area audited.

Needs Improvement	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited
Unsatisfactory	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Non-Assurance Work	Grant certification and other work undertaken by Internal Audit where no assurance is given

Risk status will also be indicated. Where a risk falls into the 'critical' status, there is an expectation that this will be reported at SLT level and may require entry onto the Corporate Risk Register.

Critical	Fundamental weakness, which presents unacceptable risk that needs to be brought to the attention of senior management for urgent attention. (Immediately or within 6 months)
High	Significant weakness that should be addressed by management in their areas of responsibility within a reason timeframe. (Within 6 to 12 months)
Medium	Significant weakness that should be addressed by management in their areas of responsibility within a reason timeframe. (Within 6 to 12 months)
Low	No risk but best practice or where some improvements could be made to aid effectiveness and efficiency.

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
WCC Annual Internal Audit Plan and any revisions thereto, leading to a well-informed Annual Audit Opinion.	Plan Progress Reporting to Audit and Governance Committee and Annual Opinion.	Progress - Quarterly reporting Opinion – Annually
Compliance with the Global Internal Audit Standards 2025	Self-Assessment and Independent Quality Assessment with quality assessment improvement plan.	Annually and 5 yearly with quarterly reporting on quality assessment improvement plan

Customer feedback questionnaires reporting 'good' or above satisfaction with the service delivery	80% -good or above.	Twice yearly
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Quality Assurance

All audit documentation is subject to internal review, to ensure consistency and clarity of reporting. Internal Audit is subject to quality standards in line with the new Global Internal Audit Standards and requires re-assessment every 5 years. In the interim an annual self- assessment will be undertaken to ensure the standards are met. The Internal Audit Service will be working towards reobtaining the 'conformance assessment' certification. We are planning to carry out an independent external assessment in 2025.

Internal Audit Mandate 2024 to 2027

Document Details

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Introduction, Vision and Mission Statement.

Introduction:

This document sets out our Internal Audit Mandate (IAM) for the next three years. The IAM sets out how the service will transition, support and promote improvement and good governance. This will be underpinned by key documents including the Internal Audit Charter (IAC) which describes the purpose, authority, responsibility, ethics and position of the Internal Audit (IA) Service within Worcestershire County Council (WCC), the Service Plan, and our Quality Assurance and Improvement Programme (QA&IP) which includes our key performance indicators to monitor performance and demonstrate success.

Vision:

The IA Service will be an independent, objective assurance and advisory service designed to add value and improve the organisation's operations. It will help the organisation accomplish its strategic needs by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit Service will continuously seek to develop staff competencies, the function as a whole and work towards obtaining a successful independent external assessment against the Global Internal Audit Standards due to be introduced in 2025 to provide assurance to those in governance that as a Service it is operating within the industry standards.

Mission

Internal Audit is a customer focused, modern, innovative, service aligned to assisting the delivery of the corporate strategic needs. It will enhance and protect organisation values by providing, risk based objective assurance, grant certifications, advice and insight using agile auditing methods.

Internal Audit Key Components.

Delivering the Mission:

In delivering the Mission IA will:

- Produce and deliver annually a Risk Based Internal Audit Plan which complies with the Global Internal Audit Standards;
- Provide progress reports to the Audit Committees / Boards which highlight any significant risk and control deficiencies or potential areas for improvement in the organisation's governance and control arrangements;
- Provide the statutory Chief Internal Auditor's Annual Opinion on the organisation's internal control, risk management framework and corporate governance arrangements;
- Through certification, assurance, advisory, and support services, suitably challenge key assumptions and judgments taken by management to ensure they were appropriate and in accordance with relevant legislation, policies, procedures, guidance and professional standards.

Customer focus:

IA will actively seek awareness of the needs and requirements of all our stakeholders in providing the optimum customer experience to inspire value, confidence and trust and to treat colleagues and Members with respect and understanding.

Quality:

Quality and excellence are at the heart of everything we do. The key measure of quality is customer satisfaction, and our goal is to provide a service that meets and exceeds those expectations. Our aim is to provide a service that remains responsive to the needs of our customers and maintains consistently high standards. Staff are fully empowered to achieve the best possible outcomes, are accountable for their actions and take responsibility for their decisions.

Staff:

All IA staff are professionally qualified or working towards being qualified, are fully conversant with relevant industry standards / practices and have significant knowledge, experience and understanding of the requirements of auditing in a public sector environment. This provides a unique insight into sector risks (existing and emerging), challenges, opportunities and good practice that informs our work. Continuing Professional Development is a fundamental part of our staff development strategy.

Flexible and Resilient:

Operating a multidisciplinary team provides a seamless and responsive service in meeting clients' needs. WCC and IA provides resilience in both strength and depth, and we continue to 'grow our own' by having Audit Assistant posts in the establishment introducing staff new to the discipline to train and learn with close mentoring. This supports succession planning as well as the ability to consider specialisms in the future.

Agile working:

We work with our clients to build trust, develop common understanding and take collective action to improve organisational governance, deliver strategic needs, outcomes and be a trusted advisor to strategic management and the Audit and Governance Committee / Boards. IA will operate a flexible approach when delivering the Audit Plan and will make professional judgements during assignments regarding the best approach, including the use of data analytics, to add the most value.

Measures of Success

The global standards indicate that IA should be adding value to the organisation at every opportunity. This will be done through our annual internal assessment, the 5 yearly independent external assessment and, in parallel, through the development of the quality assurance and improvement programme that will cover all aspects of the Internal Audit Service.

Key Performance Indicators

- Sufficient delivery of the WCC Annual Internal Audit Plan and any revisions thereto, in order to provide a well-informed Annual Audit Opinion.
- Compliance with the Global Internal Audit Standards 2025
- 80% of our customer feedback questionnaires reporting 'good' or above satisfaction with the service delivery

Performance Monitoring

The Internal Audit Service is working towards adopting a methodology to cover all aspect of the auditing process; planning including Terms of Reference, testing, reporting and monitoring. This includes quality assurance arrangements at key points during the process with review and authorisation requirements. The Chief Internal Auditor will provide an Annual Internal Audit Opinion which in turn will inform the Annual Governance Statement. The Annual Internal Audit Opinion will include the statutory opinion on the overall adequacy and effectiveness of the risk management strategy, corporate governance arrangements and internal control environment. Feedback from the Audit & Governance Committee along with the senior management team will also be solicited to inform the assessment of the Internal Audit Service.

Resource

Our current structure allows for:

- 1x FTE Chief Internal Auditor
- 1x FTE Audit and Compliance Manager
- 1x FTE Finance Business Partner
- 2x FTE Audit Officers
- 2x FTE Assistant Auditors

All Officers are employees of WCC and are based at County Hall.

Commitment:

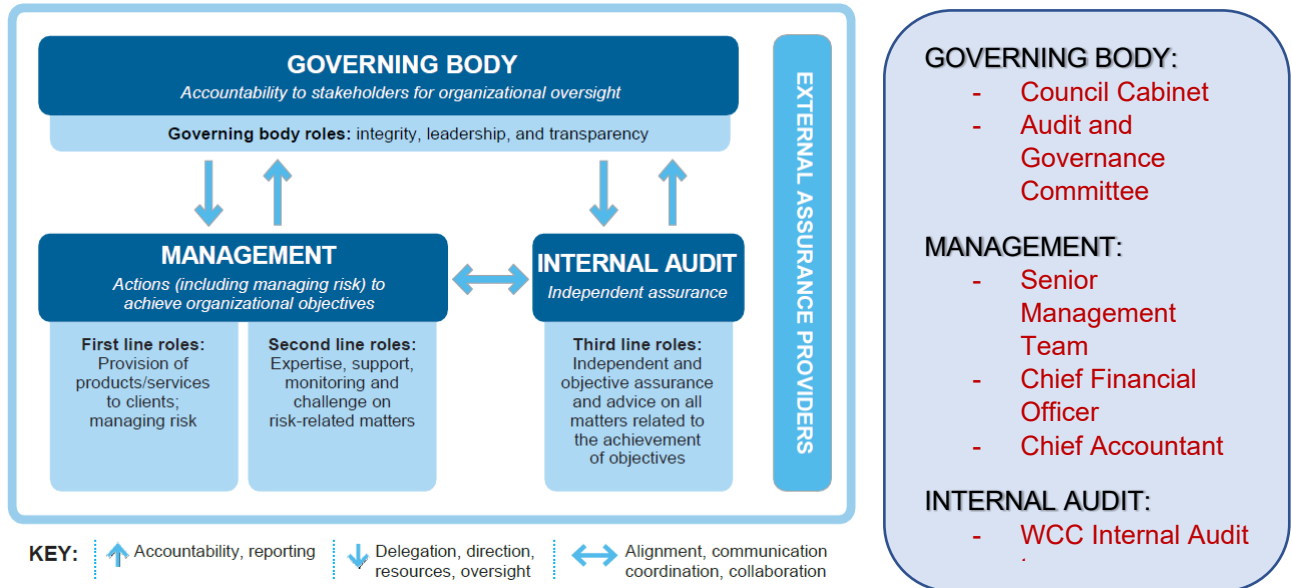
We will:

- Continue to use the Three Lines of Defence Model.
- Align our risk reporting to that of the corporate strategy.
- Work closely with service areas and ensure pragmatic recommendations identifying the 'root cause' of issues and ensuring proportionality to the risk.
- Continue to develop and promote Anti-Fraud, Bribery, and Corruption and Anti Money Laundering strategy and respond either proactively or reactively to reported irregularities to improve control.
- Follow up on all 'Limited' Assurance outcomes to ensure controls are improved and risks mitigated.
- Work towards compliance with the Global Internal Audit Standards 2025.
- Ensure that the requirements of the Audit and Accounts Regulations 2015 are discharged which require the Council to 'undertake an effective internal audit to

evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal audit standards or guidance’.

- Support fully the Audit and Governance Committee and Boards as key stakeholders within their Terms of Reference.
- Share best practice across the Service to inform, improve and learn, using team meetings and 1:2:1’s.
- Develop and share key Service documents e.g. Charter, Handbook, Assurance outturns, etc, as part of the Service transition.

Three Lines of Defence Model - Chartered Institute of Internal Auditors



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.
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