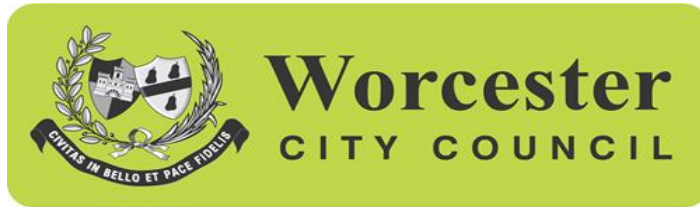


ANNUAL REPORT OF INTERNAL AUDIT

2023/24

Date: July 2024





1. BACKGROUND

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Head of Internal Audit to provide an annual Internal Audit Opinion and report that can be used by the organisation to inform its Annual Governance Statement.
- 1.2 The Standards specify that the annual report must contain:
- An Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework (i.e. the control environment);
 - A summary of the audit work (including organisational knowledge) from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
 - A statement of the extent of conformance with the Standards including progress against the improvement plan arising from any external assessments.

2. INTERNAL AUDIT OPINION 2023/24

- 2.1 The Head of Internal Audit's overall opinion on the Council's system of internal control is that:

Reasonable assurance can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives.

All of the 12 graded assignments completed in 2023/24 resulted in an opinion of either Substantial or Reasonable assurance.

The progress made by management in implementing the actions arising from audits has been good. Follow up work completed by Internal Audit has not highlighted any overdue High or Medium priority actions. Implementation of agreed control improvement actions strengthens the organisation's framework of governance, risk management and control.

The Corporate risk register was last reviewed and updated in early 2024, and is well structured with a focus on mitigating actions. A stable governance framework is in place, which is deemed to be effective, and no significant weaknesses have been identified in 2023/24.

2.2 A summary of Internal Audit assurance opinions issued in 2023/24 is shown in Table 1 below:

Table 1 – Summary of Internal Audit Opinions in 2023/24

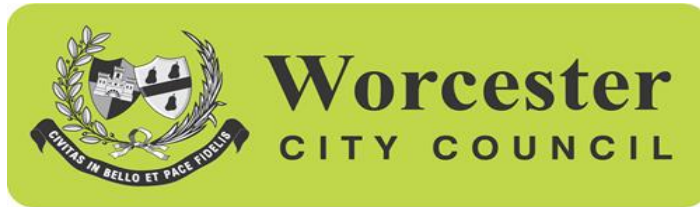
Assurance Area	Substantial	Reasonable	Limited	No
Financial	1	3	0	0
IT	0	1	0	0
Governance & Ethics	0	2	0	0
Strategic & Operational Risks	1	4	0	0
Totals	2	10	0	0

3. REVIEW OF AUDIT COVERAGE

3.1 The Auditor’s Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

Table 2 – Assurance Categories

Opinion	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable Assurance	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 objectives in the area audited.
Limited Assurance	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.
No Assurance	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.



The prioritisation of recommendations made by Internal Audit is based upon an assessment of the level of risk exposure. The Auditor's Opinion considers the likelihood of corporate/ service objectives not being achieved, and the impact of any failure to achieve objectives. In order that recommendations can be prioritised according to the potential severity of the risk, a traffic light system is used as follows:

Definition of Priority of Recommendations

Priority	Definition
H	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
M	Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.
L	Issues of best practise where some improvement can be made.

3.2 Summary of Internal Audit Work

Table 3 details the assurance levels resulting from all audits completed during the year:

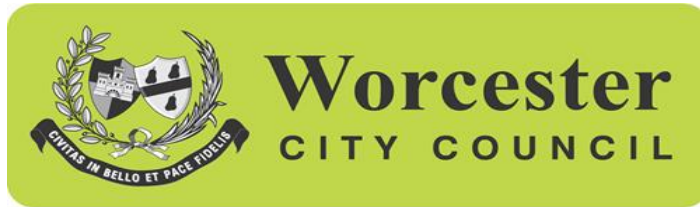
Audit Area	Assurance Opinion
Financial	
Treasury Management	Substantial
Council Tax	Reasonable
Benefits	Reasonable
NNDR	Reasonable
IT	
ICT – Business Resilience	Reasonable
Governance & Ethics	
Performance Data Quality	Reasonable
Museum Services - Procurement Processes	Reasonable
Strategic & Operational Risks	
Planning Applications – Customer Journey	Reasonable
Ward Councillor Community Recovery Grants	Reasonable
Homes for Ukraine Scheme	Reasonable
Bereavement Services	Reasonable
Follow up reviews	Substantial

Outlined at pages 9 to 16 is a short summary of the findings of each of the audits completed. It should be noted that many of these findings have previously been reported as part of the defined cycle of progress update reports provided to the Committee.

3.3 Adding Value

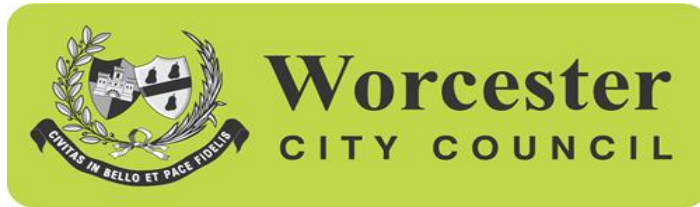
Much internal audit work is carried out “behind the scenes” and is demand led but is not always the subject of a formal report. Examples include:

- Governance e.g. assisting with the Annual Governance Statement.
- Risk management.
- Dissemination of information regarding potential fraud cases likely to affect the Council.
- Drawing managers’ attention to specific audit or risk issues.
- Internal audit recommendations: follow up review and advice.
- Day to day audit support and advice for example risk implications arising from proposed changes in controls.
- Networking with audit colleagues in other Councils on professional points of practice.



4. QUALITY ASSURANCE AND COMPLIANCE WITH PROFESSIONAL STANDARDS

- 4.1 The Public Sector Internal Audit Standards (the Standards) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The Standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 4.2 The objectives of the Standards are to:
- Define the nature of internal auditing within the public sector;
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
 - Establish the basis for evaluation of internal audit performance and to drive improvement planning.
- 4.3 The Standards require that an independent External Quality Assessment (EQA) of the service be completed every 5 years. An EQA has just been completed in May 2024, and the results confirm that the service is operating in **General Conformance to the Standards**. This is the highest of the three available assessment grades. The findings of the external assessment are being used to develop a continuous improvement action plan which will be presented with a new Quality Assurance policy at the next Audit and Governance Committee meeting.
- 4.4 As part of the EQA a client satisfaction survey was issued and based upon a response from 15 senior client officers and members, there was a 92% positive satisfaction score. Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. All staff work to a given methodology and have access to the internal audit reference material and Charter which are updated regularly to reflect the requirements of the standards and the changing environment that Internal Audit operates in. On-going dialogue will be maintained with the s151 Officer and the Client Officer Group which governs the shared service. The Client Officer Group for the Internal Audit Shared Service comprises all the partners' s151 Officers all whom actively encourage and support the on-going development of the service.



5. ORGANISATION INDEPENDENCE

If independence or objectivity is impaired in fact or appearance, the Head of Internal Audit is required to disclose this. The Head of Internal Audit can confirm that the Internal Audit service is independent and objective, and this is currently demonstrated in a number of ways:

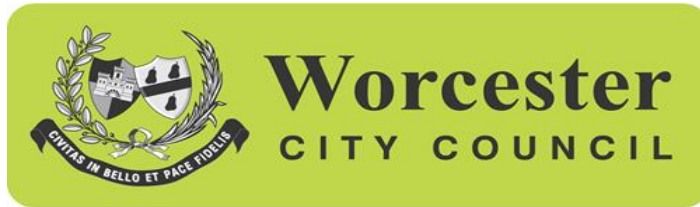
- The Head of Internal Audit reports directly to the s151 officer at all partner organisations in the Shared Service and the equivalent Audit Committee. He also has direct unfettered access to the Heads of Paid Service, Monitoring Officers and Chairs of the Audit Committees.
- Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the Head of Internal Audit to the Head of Paid Service and the Chair of the Audit Committee.
- All officers responsible for internal audit work are required to complete an annual Declaration of Interests form, which is in turn reviewed by the Head of Internal Audit. In the case of the Head of Internal Audit, the form is reviewed by the Director of Corporate Resources (s151 officer) at Worcester City Council. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
- The Audit and Governance Committee approves any significant consultancy activity included in the Internal Audit Plan.

6. LIMITATIONS INHERENT TO THE WORK OF INTERNAL AUDIT

Internal Audit undertakes a programme of work agreed by the Council's senior managers and approved by the Audit Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.



Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees, management override of controls, and unforeseeable circumstances.

Future Periods

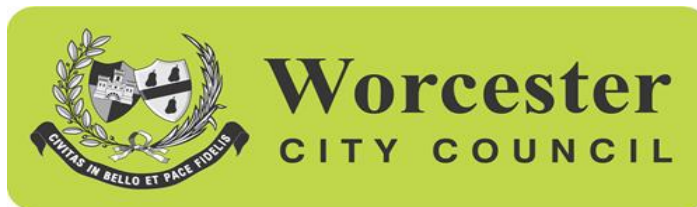
The assessment of each audit area is relevant to the time that the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

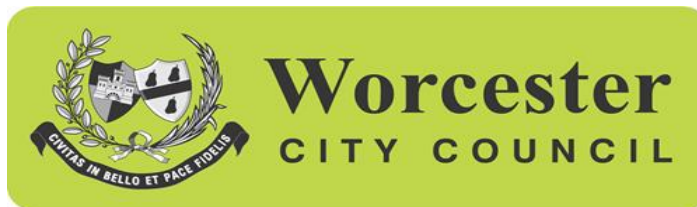
It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

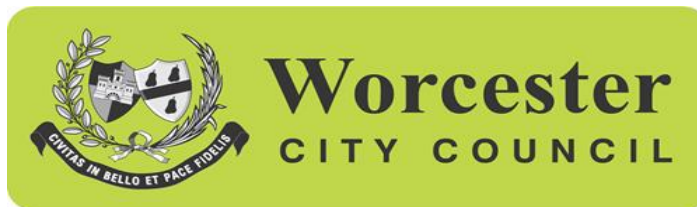


7. SUMMARY OF INTERNAL AUDIT FINDINGS

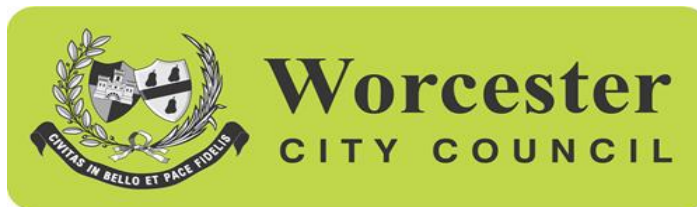
Audit Area	Assurance Rating	Summary of Findings
Treasury Management	Substantial	<p>A sample of transactions were tested to provide assurance that:</p> <ul style="list-style-type: none"> • The investment could be traced out and back into the Council's bank account. • Investments were made in line with the Treasury Management Policy/Strategy. • Investments were authorised and interest had been correctly calculated and received. <p>No issues were identified during the audit and substantial assurance was therefore provided.</p>
Council Tax, Benefits and NNDR	Reasonable	<p>The audit was a risk-based systems audit of the Benefit, Council Tax and NNDR System as hosted by Malvern Hills District Council on behalf of the South Worcestershire Partnership.</p> <p>Benefits, Council Tax and NNDR was transferred from Civica and is now hosted by Malvern Hills District Council on behalf of the South Worcestershire Authorities: Malvern Hills District Council, Worcester City Council and Wychavon District Council.</p> <p>This review was undertaken to provide assurance on the quality and accuracy of the data transfer and performance data.</p> <p>The scope covered:</p> <ul style="list-style-type: none"> • A follow up of previous audit recommendations. • A review of the data transfer of Housing Benefit temporary accommodation and private claims for accuracy of the data transferred. • A review of the data transfer of Council Tax single person and empty property discounts for accuracy of the data transferred. • A review of the data transfer of NNDR Small Business Rate and Empty property relief for accuracy of the data transferred.



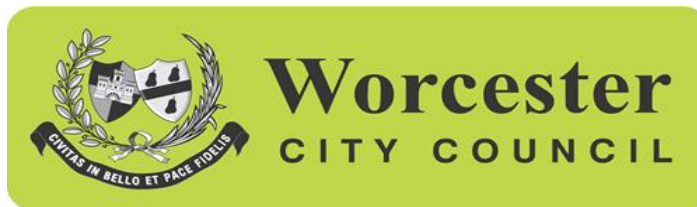
Audit Area	Assurance Rating	Summary of Findings
		<ul style="list-style-type: none"> • Reconciliations between data transferred from one system to the other including a review of the accuracy of the performance data for Benefits, Council Tax and NNDR. <p>The audit found that there are robust process' in place regarding:</p> <ul style="list-style-type: none"> • Annual Billing. • Recovery procedures including Housing Benefit Overpayment. <p>The 'Tell us Once' procedure for information capture is available and used correctly.</p> <p>The review also found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • Sample testing indicated that risk had been mitigated when comparing the data transferred from the Academy system to Open Rev's. Where there had been conversion errors an audit trail was evidenced in the notes. • Reconciliations had been carried out at appropriate times. • Performance Data is available with manual intervention to work out the data which is then used for reporting via the monthly RAG reports. • A more proactive recovery process was put in place to re-start the recovery action following a period of no activity due to the change in system. <p>At the time of the review all 3 authorities were still showing old versions of the Council Tax Support Scheme online; management agreed to address this. The review found that there were 8 users that had access to the system, but no DBS check was recorded. These have been chased with the users and relevant HR departments.</p>



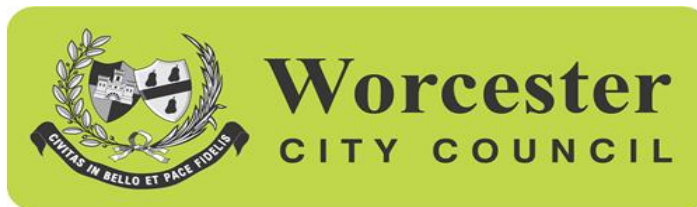
Audit Area	Assurance Rating	Summary of Findings
ICT – Business Resilience	Reasonable	<p>Business resilience is defined as the controls in place to defend the authority from disruptive incidents and allow services to continue day-to-day obligations to members of the public. This was a risk-based systems audit of Business resilience.</p> <p>The review confirmed that ICT has a Cyber Incident Response Plan in place which covers management roles and responsibilities, communications, and the cyber incident response process in the event of a cyber-attack.</p> <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • In the event of a cyber incident there is clear ownership in the delivery of the ICT business resilience plans through the ICT service and ICT management board. • There is clear ownership and understanding of requirements to allow plans to be followed and prioritisation to assist key front-line services first. <p>Some relatively minor issues were raised, and management agreed actions to address these.</p>
Performance Data Quality	Reasonable	<p>The objective of this audit was to provide assurance that the quality of data reported under performance measures are accurate, timely and complete.</p> <p>No major issues were identified, and generally sound arrangements are in place to ensure data is accurate, timely and complete. It was noted that café income has not been consistently reported, with some data missing. Management agreed to check the quarterly income reports from cafes for accuracy and adjust as needed.</p>



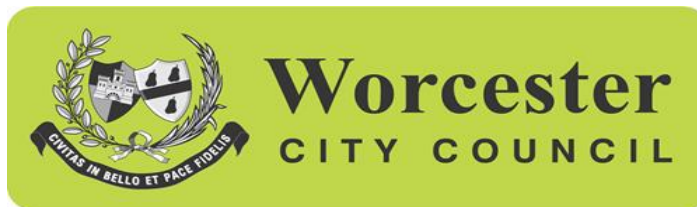
Audit Area	Assurance Rating	Summary of Findings
Museum Services - Procurement Processes	Reasonable	<p>The objective of the audit was to ensure that:</p> <ul style="list-style-type: none"> • the procurement of goods and services are fully authorised prior to the order being placed. • goods and services are only paid for once and have been correctly posted in the ledger. • income invoices are raised in a timely manner and for the correct amounts. <p>The scope covered:</p> <ul style="list-style-type: none"> • Sign off by budget holder for procurement via Purchase Card and through the purchase ordering system. • Filing system including those that are specific to Grant monies received. • Document Retention. • Debtors invoice procedures. <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • Budget holders approve the purchase of all goods and services prior to them being ordered. • Payments are only made on the receipt of goods and services. • Expenditure is correctly coded in the ledger. • Debtors' invoices are raised in a timely manner and debts are chased. • Documents are retained and folders are logically named. <p>The review also highlighted that corporate purchase cards are being used by officers other than the named card holders. These practises have been identified mostly due to historical work processes and a lack of pre-planning. No potentially inappropriate purchases were identified. Management agreed to review purchase card use and to instruct all card holders not to share their card with anyone else.</p>



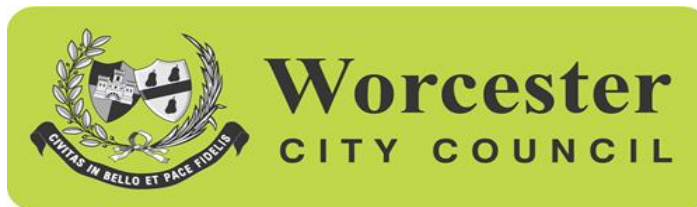
Audit Area	Assurance Rating	Summary of Findings
<p>Planning Applications – Customer Journey</p>	<p>Reasonable</p>	<p>The customer journey was examined to provide assurance that suitable controls and monitoring are in place to ensure that the experience of the customer is a positive one and the review investigated how the customer experience is impacted by each action / non-action. The review investigated the customer experience regarding the processing of a Planning Application from initial submission of Application stage to Final Determination. This did not include the decisions themselves.</p> <p>The Council has seen a positive direction of travel made within the customer journey as since the appointment of the new Head of Service and the permanent appointment to Managerial posts the service has looked for ways to improve the customer experience. This includes:</p> <ul style="list-style-type: none"> • Reducing the total number of undetermined planning applications. • Over the mid to long-term, addressing staffing levels to cope with the demand of planning applications with consultants until permanent staff could be hired. • Reducing both level 1 and 2 complaints received by the Council in relation to planning. • Updating the planning application process flowchart to enable the customer to understand the journey their application will take from pre-apps to the time it has been approved. <p>The review also found the following arrangements were in place for customer support: -</p> <ul style="list-style-type: none"> • Face-to-face contact by Customer Services to provide customers with help and advice on planning queries including submission of a planning application. • Planning officers and business support officers have a good range of knowledge and experience to handle customer queries and there is a concise support network available to aid the customer and provide sound advice. <p>Following completion of this review, management agreed that a customer survey relating to the operation of planning committee will be carried out to understand what further improvements could be made to improve the customer experience. Furthermore, options</p>



Audit Area	Assurance Rating	Summary of Findings
		for system enhancements to further improve the customer journey will be explored and, if applicable, a separate project plan will be developed with appropriate timescales for staff training, system development and implementation.
Ward Councillor Community Recovery Grants	Reasonable	<p>The objective of this audit was to provide assurance that the Ward Councillors Community Recovery Grants have been awarded in line with the agreed criteria.</p> <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • There is guidance on the use of the Ward Councillors Community Recovery Grants. • Where the rationale for the payment request was unclear, additional information was sought before the awarded was approved. <p>This review identified that there was appropriate segregation of duties, with several officers involved in this process. Some housekeeping issues were identified such as approval being given by email rather than completing the sections on the application form. The Council hadn't published the allocation of Ward Grants on the Council's website in line with the Local Government Transparency Code. Management agreed to address these issues.</p>
Homes for Ukraine Scheme	Reasonable	<p>The objective of this audit was to provide assurance that the payments for this scheme are being correctly awarded and transparently recorded through the finance system.</p> <p>The scope covered:</p> <ul style="list-style-type: none"> • The guidance/procedures in place for both the Thank You Payments to Sponsors and Welfare Assistance Resettlement Grants. • The procedures are being followed to ensure the grants are being awarded correctly. • The payments are shown correctly within the finance system and being monitored.



Audit Area	Assurance Rating	Summary of Findings
		<p>As at 25/03/2024 around 100 sponsors have provided accommodation to Ukrainian War Refugees resulting in £494,950 of grant funds having been paid to sponsors for the Thank You Grant and £57,567 paid out for the Welfare Assistance Resettlement Grants.</p> <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • The mandatory checks as set out in the Government Guidance are being carried out. • All payments had been recorded on the finance system and controls are in place between the Finance Team and Housing Team to ensure the payments are correct as well as the Finance Officer reconciling the amount shown on the finance system to the amount recorded on a separate spreadsheet. This control has highlighted a couple of issues which have been addressed. • Internal Audit is satisfied that there are guidance/procedures in place for both the Thank You Payments to Sponsors and Welfare Assistance Resettlement Grants that officers can refer to. • Guidance is in place to calculate the award for the Welfare Assistance Resettlement Grant providing transparency. <p>While the application form refers the customer to the privacy notices on the website, there was no specific privacy notice relating to these grants to explain the purpose for which the Council is using and retaining the information. This includes providing the customer with information regarding the categories of personal data handled, the legal justification for processing personal data, and the data provided to third parties. Management agreed to address this issue.</p>
Bereavement Services	Reasonable	<p>The scope of this review covered provision of assurance that:</p> <ul style="list-style-type: none"> • Processes effectively achieve objectives, statutory and legal requirements. • Procedural notes accurately reflect legal processes and staff are following procedures and breaches are resolved. • There is robust training on service delivery, reviewed at regular intervals.



Audit Area	Assurance Rating	Summary of Findings
		<ul style="list-style-type: none"> • Service management is effectively providing continuous improvement and business resilience. • Legal and statutory requirements for documentation are fulfilled. There are robust controls in place to ensure compliance. <p>The review found the following areas of the system were working well:</p> <ul style="list-style-type: none"> • The service has robust controls around cremation applications ensuring it is legally compliant, acting diligently to ensure that it can deliver a service. • Good customer service, sensitivity and core values are kept at the heart of the service ensuring the utmost respect for customers. • There is good risk awareness. Potential impacts to the service are thoroughly assessed, plans are in place to ensure business continuity. • The service is aware of its current limitations and is undergoing reviews to assess the opportunities available to it. <p>The service was found to be meeting legislative requirements for training in crematorium and burial operations; however, Council requirements were not being met as not all mandatory training was carried out within the Learning Lounge. The service also had no fireproof storage for documentation. Actions were agreed to address these issues.</p>
Follow up reviews	Substantial	<p>The progress made by management in implementing the actions arising from audits has been good. Follow up work completed by Internal Audit has not highlighted any overdue High or Medium priority actions. Implementation of agreed control improvement actions strengthens the organisation's framework of governance, risk management and control.</p>