

Internal Audit Annual Report 2021/22

“Providing assurance on the management of risks”



*Working for
Warwickshire*

Internal Audit Annual Report 2021/22

“Providing assurance on the management of risks”

This document summarises the results of internal audit work during 2021/22 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the Authority’s control environment.

Opinion

Based upon the results of work undertaken during the year my opinion is that the Authority’s control environment provides **substantial assurance** that the significant risks facing the Authority are addressed.

Context

This report outlines the work undertaken by Internal Audit between 1 April 2021 and 31 March 2022.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards.

The primary role of Internal Audit is to provide assurance to the organisation (chief executive, strategic directors and the Audit and Standards committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. The service helps the Council achieve its objectives and provides assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Authority’s control environment which feeds into the Annual Governance Statement.

Internal audit work during 2021/22

The underlying principle to the 2021/22 plan was risk and accordingly audits were focussed on areas that represented an identified risk.

The methodology adopted in preparing the plan, and the plan itself, were approved by the Audit and Standards Committee on 25 March 2021.

Since the original plan was approved a number of additional audits have proved necessary and some planned audits were no longer required. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation.

Summary of assurance work

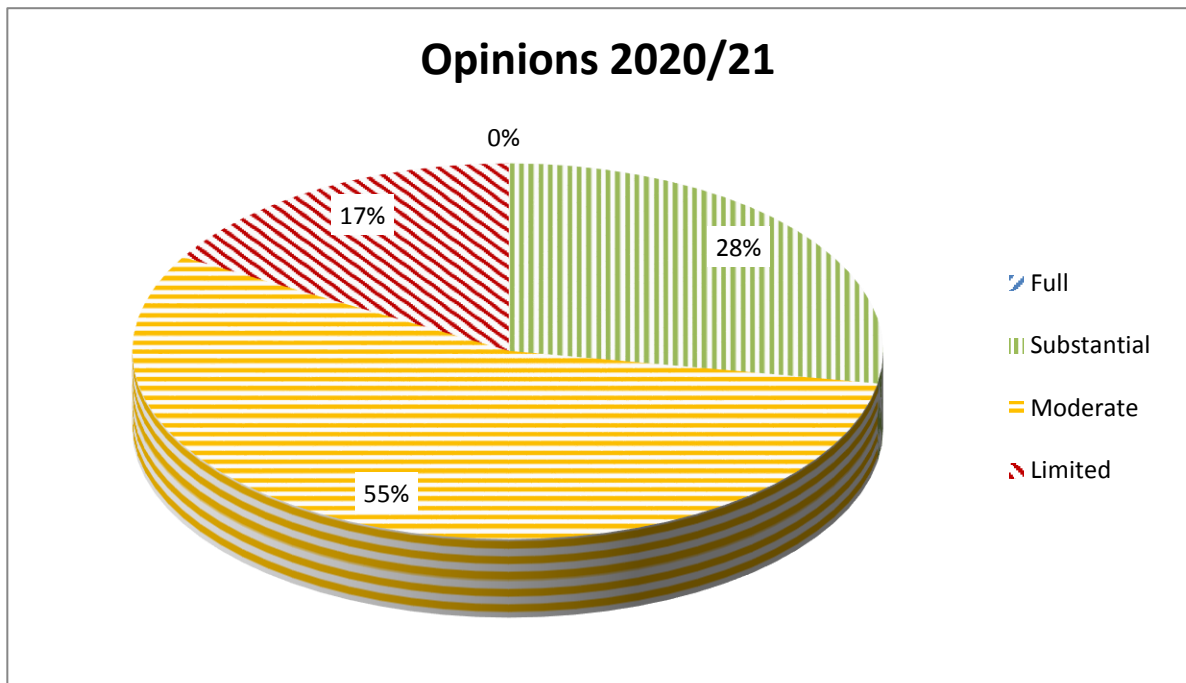
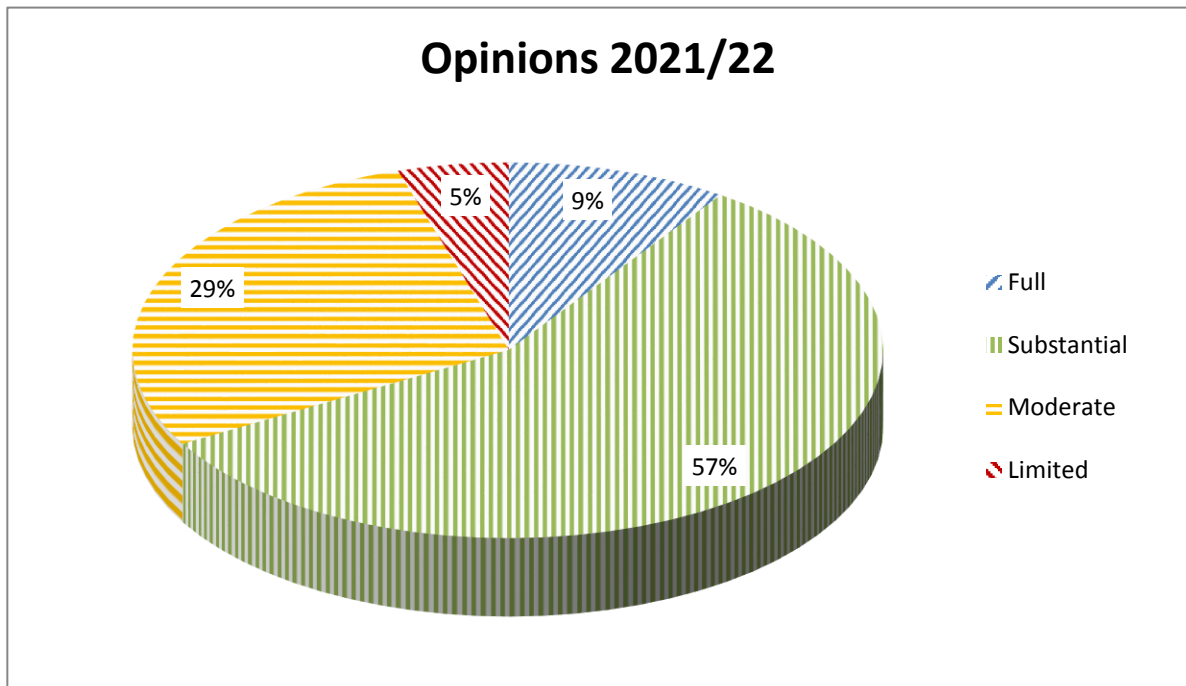
The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits are given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls. The Audit and Standards Committee has received regular reports during the year summarising audits undertaken.

As shown in the following chart the outcome of the majority of this year's audits are positive having a moderate, substantial or full opinion. The proportion which are Substantial or Full was 66%. There is a fall in the proportion of audits where controls provided only Limited assurance that significant risks were being addressed (from 17% to 5%). The Limited assurance report related to a specific area rather than representing an across the board breakdown in controls. The key issues arising from finalised limited opinion audits have been reported to the Audit & Standards Committee.

For 2021/22 the opinions were:

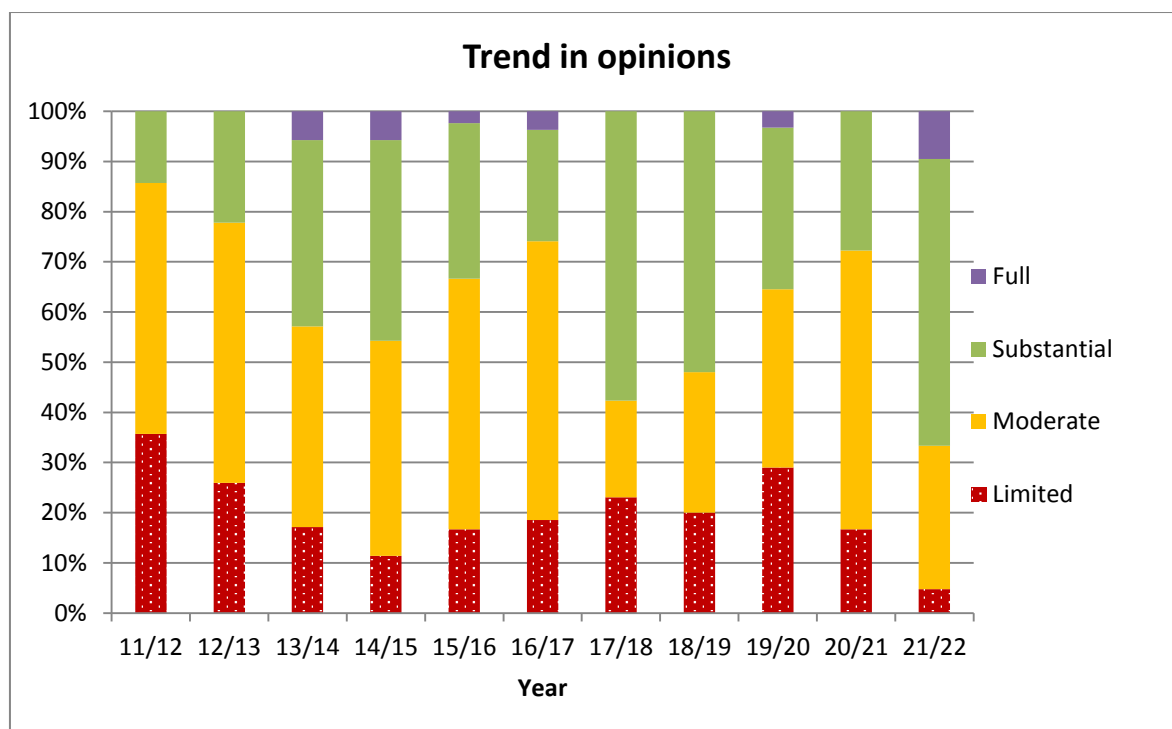
- Full Assurance (2 audits)
- Substantial Assurance (12 audits)
- Moderate Assurance (6 audits)
- Limited Assurance (1 audit)

The comparative proportions are illustrated in the following pie chart:



A full list of the assurance work undertaken during the year is given in Appendix A.

The proportion of audits in each category is illustrated in the following chart which shows the year on year trend over the period from 2011/12 to 2021/22.



When comparing the ratings across years it should be noted that of course the audit plan includes different topics each year so caution is needed when interpreting this chart. Some “limited” opinions are to be expected each year especially as the audit planning processes and our limited resources means that increasingly only those areas with a high degree of change or risk are included in the plan. The increasing pressures and extent of change facing the Authority may also be a factor. In overall terms the picture is positive. The proportion of Limited opinions has decreased, and the proportion of audits resulting in a Substantial or Full opinion was over 60%.

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are: Merits Attention, Significant and Fundamental.

Follow up exercises have been undertaken to provide feedback on the extent to which agreed actions have been implemented to address identified weaknesses. There is an ongoing cycle of follow up work during the year and the results are reported to the Audit and Standards Committee.

Recommendations are followed up to ensure that they are implemented and where there is delay this is reported to the Internal Audit Board and the Audit and Standards Committee. Those recommendations showing as “Outstanding” are therefore subject to scrutiny and the Audit and Standards Committee call in managers to explain delayed progress where appropriate.

Summary of non-assurance work

Advice

Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year therefore the service continued to provide consultancy input into a number of topics. We provided advisory support on the following:

- Control over funding received for COVID purposes
- Warwickshire Property Development Group (WPDG)
- Warwickshire Recovery and Investment Fund (WRIF)
- Fire IT systems
- SEND programme
- External Funding governance
- Finance system enhancements
- Schools causing concern
- Mosaic development

Whilst the advisory work does not lead to a specific assurance opinion, our involvement does allow a view to be taken on where there are strengths and weaknesses. In particular I noted the following:

- With regards to the WPDG and WRIF we have seen the required scrutiny and challenge continue as the two projects have developed. Officers and members have been involved in discussions and decisions and at this stage there is nothing that raises any concerns. Continued scrutiny is critical as they become operational and new risks and challenges come to light.
- Our work on the Fire IT systems identified lessons and weaknesses which are being addressed as the projects progress.
- The external inspection of SEND highlighted issues which the SEND programme is to address and our work has seen evidence of the governance around this work.

Special investigations

The size and complexity of the County Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a small number of special investigations were needed during the year and updates were reported to the Audit and Standards Committee during the year. Where appropriate the Audit and Standards Committee considers reports on the circumstances of each case and the remedial action taken to address the control weaknesses identified. The control weaknesses identified by these issues are isolated to the teams concerned and hence do not impact the Council's overall control environment.

Suspected frauds can be reported to our dedicated fraud hotline 01926 412052 or by email to tellusaboutfraud@warwickshire.gov.uk

Certification

Audit is required to certify a number of grant claims the main ones relating to the Priority Families Programme but also covering Capital grants, Broadband implementation and Covid payments. The service also undertakes a small amount of work in relation to the certification of accounts for miscellaneous County Council related funds. These were all cleared satisfactorily.

Other Sources of Assurance

Whilst the key source of assurance which supports the annual opinion is the independent audits undertaken by the Internal Audit team, there are other sources of assurance which are helpful to provide support for the opinion on the council's Governance, Risk Management and Internal Control. For 2021/22 these have included the following:

- Inspection of Local Authority Children's Services (ILACS)
- Joint local area SEND inspection in Warwickshire
- Report of the Independent Inquiry into child sexual exploitation by organised networks
- Local Government Corporate Peer Challenge - March 2022
- HMICFRS Inspection of Fire and Rescue services

Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

A full externally conducted quality assessment of the service was conducted during 2018. The report of that assessment states that the audit service "complies with the expectations of the Public Sector Internal Audit Standards and compares favourably to other provision within the sector."



In accordance with best practice there is a rigorous internal review of all work undertaken by senior staff and the results feed into the staff appraisal process.

Following most audits a “post audit questionnaire” is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire includes a range of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys.

“...Requests for information were always very clear which demonstrated a strong understanding”

The post audit questionnaire responses returned continue to be good with the average score from all surveys returned during 2021/22 being 4.83 out of a maximum of five, (up from 4.65 in 2020/21) and a number of positive comments and compliments about the service provided have been received, including:

- “Auditors were very approachable and appeared interested and willing in finding out as much as they could about processes and procedures to support the audit.”
- “The review was carried out in a concise manner and the feedback received was in line with conversations had through the audit.”
- “maintained regular contact with me and my team... was very easy to work with. Requests for information were always very clear which demonstrated a strong understanding of the scheme and our processes”
- “Very timely...the review identified specific improvements that we could take forward as part of our business planning processes. I also appreciated the supportive way in which the review was carried out and the fact that the input of my wider team was included.”

It is clearly important for any audit service to keep abreast of best professional practice. The internal audit service is fortunate in having strong links with colleagues both within the midlands and nationally and these have continued in 2021/22. The Service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. The secretary of the CIPFA audit panel regularly briefs heads of audit on new developments in the profession. At a regional level there are networking opportunities for auditors specialising in IT, fraud and police. As well as good opportunities for continuing professional development and sharing best practice these activities provide advance information on new developments which can be reflected in the audit plan.

The audit service has maintained adequate staffing levels including the recruitment of new staff during the year. The service has mainly been working remotely, which has required changes in approach to the collection and assessment of evidence, but site visits are undertaken where required and the team has adapted quickly, enabling audits to be completed to the required standards.

The Authority can be confident that a good quality internal audit service continues to be provided.

Opinion

It is the responsibility of the County Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

No system of control can provide absolute assurance against material misstatement / loss or eliminate risk, nor can Internal Audit give that assurance. The work of internal audit is intended only to provide reasonable assurance on controls. In assessing the level of assurance to be given, I have taken into account:

- all audits completed during the year;
- follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- anticipated outcome from audits currently in draft;
- the effect of non-assurance work undertaken during the year;
- the content of the Annual Governance Statement which states that there have been no significant governance failures during the year;
- the other sources of assurance;
- the progress on implementation of a revised risk management strategy;
- the effect of any significant changes in the Authority's systems; and
- matters arising from previous reports to members.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, it is clearly important that issues identified during the year are addressed.

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's governance, control and risk processes.

Based upon the results of work undertaken during the year my opinion is that the Authority's governance, control and risk management provides **substantial assurance** that the significant risks facing the Authority are addressed.

Paul Clarke
Internal Audit Manager
(Head of Audit)

Summary of audits completed during the year.¹

Assurance Audits		Level of Assurance
	Communities	
1.	EXOR - Highways Works Order System	Substantial Assurance
2.	COVID workforce implications	Substantial Assurance
3.	Highways contract	Moderate Assurance
4.	Grants to businesses	Full Assurance
5.	HMICFRS Action Plan	Substantial Assurance
6.	Great Alne Primary School	Limited Assurance
	People	
7.	Direct Payments	Moderate Assurance
8.	Fostering and SGO payments	Moderate Assurance
9.	Children with Disabilities	Moderate Assurance
10.	Re-commissioning	Substantial Assurance
	Resources	
11.	Budget management	Substantial Assurance
12.	Procurement	Moderate Assurance
13.	Accounts Payable	Substantial Assurance
14.	Performance management	Substantial Assurance
15.	Payroll	Substantial Assurance
16.	IT Licensing	Substantial Assurance
17.	Traded Services	Moderate Assurance (Draft)
18.	Treasury Management	Substantial Assurance
19.	COVID grant expenditure and governance	Full Assurance
20.	Pension counter-fraud arrangements	Substantial Assurance
21.	Pensions administration	Substantial Assurance

Certification Audits		Outcome
22.	Priority families (4 claims)	Certified
23.	CSW Broadband: BDUK End of Year Report	Certified
24.	Sports and Social Club	Certified
25.	Winter Grant scheme	Certified
26.	Arts Council Grant	Certified
27.	Children's Social Care - Covid Local Support Grant	Certified

¹ Note that some of these audits started in 2020/21