

# Internal Audit Annual Report 2022/23

“Providing assurance on the management of risks”



*Working for  
Warwickshire*

# Internal Audit Annual Report 2022/23

## “Providing assurance on the management of risks”

This document summarises the results of internal audit work during 2022/23 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the Authority’s control environment.

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### 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.

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### Context

This report outlines the work undertaken by Internal Audit between 1 April 2022 and 31 March 2023.

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.

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## Internal audit work during 2022/23

The underlying principle to the 2022/23 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 2022

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.

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## Summary of assurance work

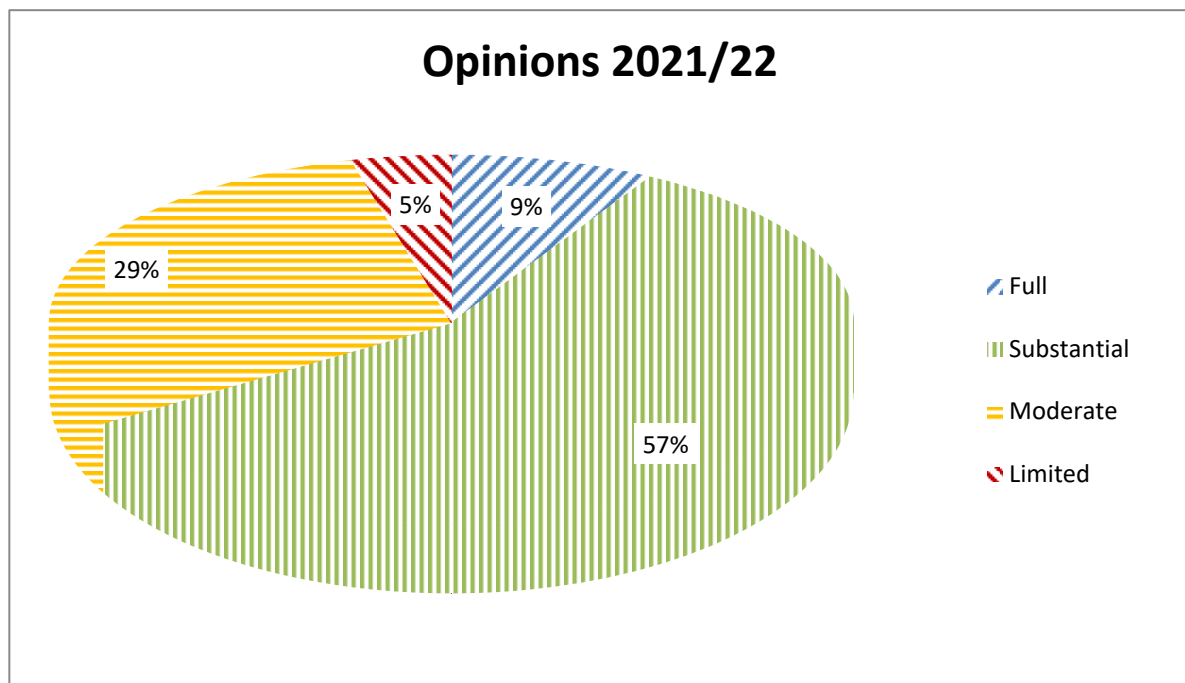
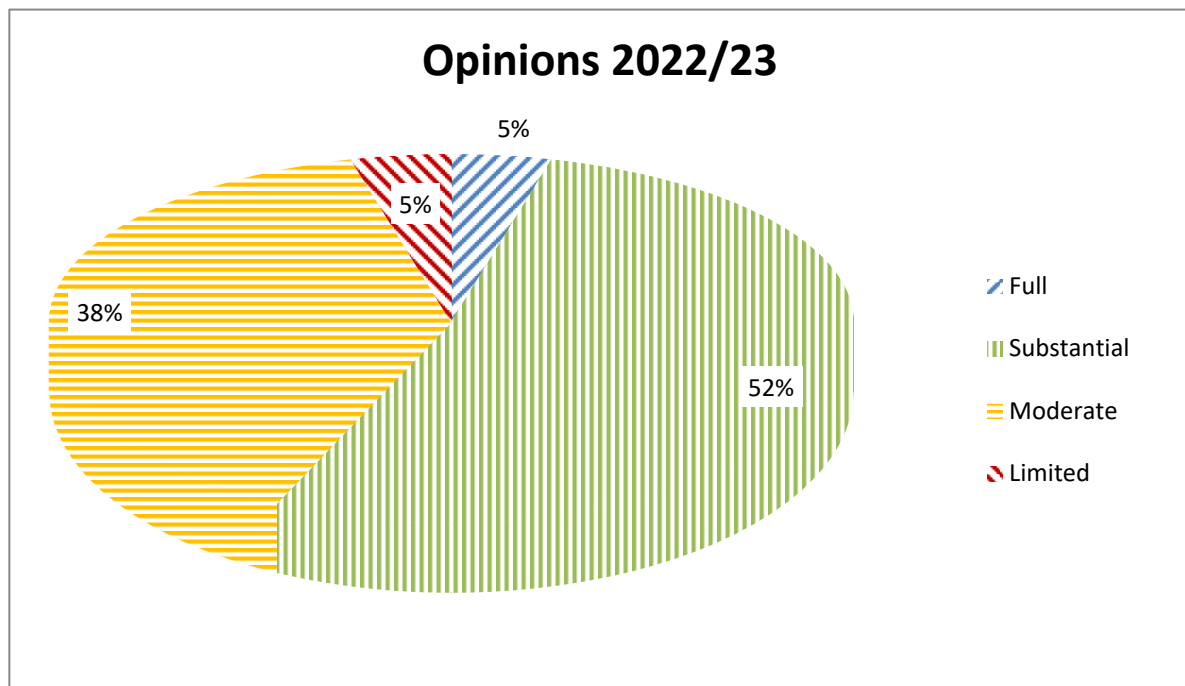
The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits are given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, 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.

For 2022/23 the opinions were:

- Full Assurance (1 audits)
- Substantial Assurance (11 audits)
- Moderate Assurance (9 audits)
- Limited Assurance (4 school audits)

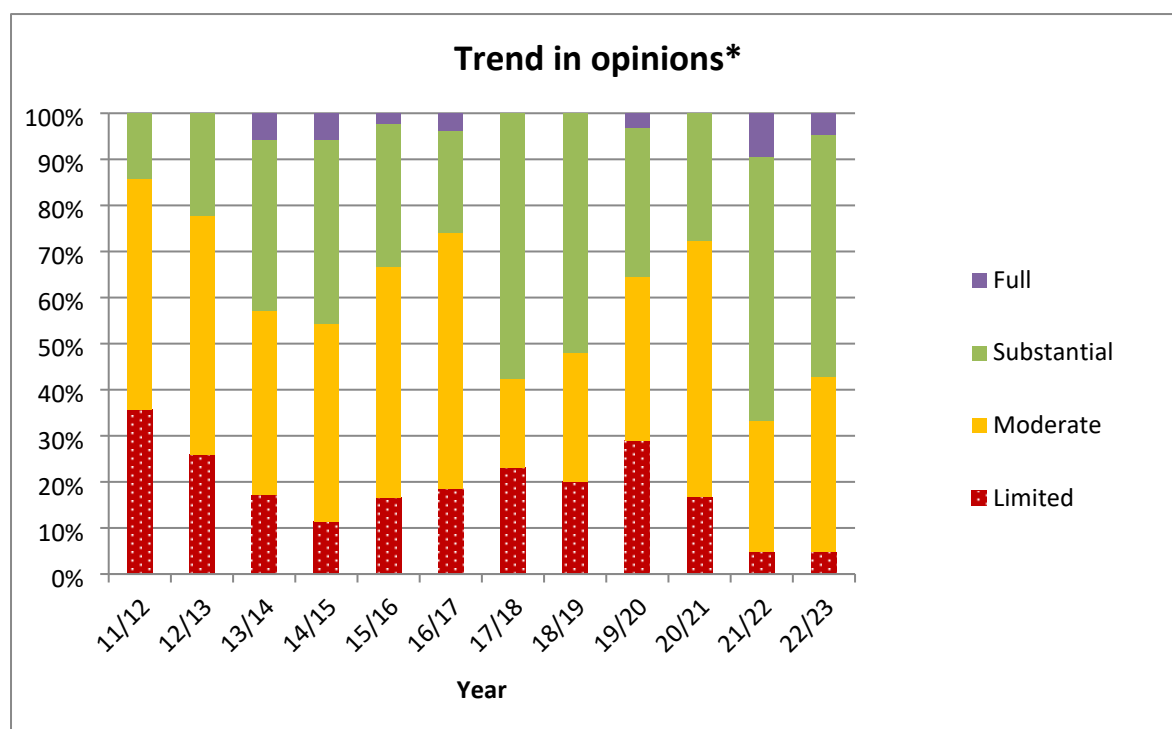
In the following chart, the individual school outcomes are amalgamated and shown as one Limited assurance for our schools work overall. The outcome of the majority of this year's audits are positive having a moderate, substantial or full opinion. The proportion which are Substantial or Full was 57%. The Limited assurance reports related to a specific area (they were reviews at schools) 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.

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 2022/23.



\*note – to preserve comparability with earlier years, the individual school opinions have been aggregated as one Limited opinion

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 remains low, with a correspondingly high proportion of audits resulting in a positive opinion.

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.

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## 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; to get control 'right first time'. This preventative 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:

- Unit 4 (formerly Agresso) development
- Care cap administration
- New Head Teachers support
- External Funding governance
- Finance system enhancements
- Specific school area causing concern (IR35)
- Asset disposal policy and procedures – Music Services
- Mosaic development
- SEND programme
- Synergy (Admissions System)

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. For example, our review of schools in 2023/24 will include a review of controls relating to contractor payments and HMRC implications.

### 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. During the year the growing pressures on cost of living increased the potential motivation for fraudulent activity to increase. This has been taken into account when planning awareness work and also a level of proactive work to deter and prevent fraud. During fraud awareness week in November 2022, work was completed to highlight to staff the risks and signs of fraud and the mechanism for reporting concerns.

In October 2022 data was submitted for the latest National Fraud Initiative. This is a two-yearly national data analytics exercise which highlights fraud and error through comparing and analysing datasets from Government, Health, Local Government and the private sector. The results were returned to us for review and investigation in early 2023. Outcomes of significant investigations will be reported as they are completed. 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](mailto: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. Other certifications satisfactorily signed off included:

- Universal Drug Grant
- Local Transport Authority COVID-19 Bus Service Support Grant
- Children's Social Care - Household Support Grant
- Adult weight management
- Disabled Facilities Grant

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.

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### 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 2022/23 these have included the following:

- Warwickshire Adult and Community Learning Service was subject to a Short Inspection (Ofsted) in October 2022 and the outcome is 'Warwickshire County Council continues to be a Good provider.
- Warwickshire County Council Children's Services arrangements for care-experienced young people was subject to a Focused Visit in March 2023 (Ofsted).
- HMICFRS – Warwickshire Fire and Rescue – revisit letter Jan 2023

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## 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 February 2023. External assessments are required every five years. The report of CIPFA assessor confirmed conformance to the standards and there were no areas of non-conformance, or partial conformance identified.



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.

*“...Observations and recommendations were firm and fair”*

The post audit questionnaire responses returned continue to be good with the average score from all surveys returned during 2022/23 being 4.71 out of a maximum of five, (up from 4.83 in 2021/22) and a number of positive comments and compliments about the service provided have been received, including:

- “Everything was explained at each stage and there was a definite feeling that the auditor was wanting to fully understand how we work and what we are required to do, to ensure the outcome was as accurate as possible. The auditor managed to gather all the relevant data required and came to balanced outcomes and recommendations.”
- “Appreciated that a clear scope of the audit was provided, and that it was relevant in that it looked at work we had recently carried out. During the audit, the ongoing advice and conversations around our assurance framework was also very valuable.”
- “The auditor was very approachable and easy to work with. They clearly explained the scope of the audit and we had a very productive conversation at the start of the process. The feedback meeting was also very helpful.”
- “The auditor was professional throughout, spent the right amount of time getting the know the project, and then carried out the audit to a very high standard. Observations and recommendations were firm and fair and will help the project as it enters its next and arguably most difficult phase.”



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 2022/23. 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.

As set out in the Audit Charter, the Service does not have any executive responsibilities and is independent of the activities that it audits. There were no impairments to independence during the year.

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## 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. Despite operating in a difficult environment with high levels of inherent risk, it is good to be able to report the overall those risks are well managed.

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.<sup>1</sup>

Assurance Audits		Level of Assurance
<b>Communities</b>		
	A46 Stoneleigh	Full Assurance
	Warwickshire Recovery Investment Fund (WRIF)	Substantial Assurance
	S106 / developer funding	Moderate Assurance
	Fire and Rescue Service Improvement Plan	Substantial Assurance
	Resourcing of protection	Moderate Assurance
	High Meadow Infant School	Limited Assurance
	Shrubland Street Community Primary	Moderate Assurance
	St. Paul's Primary School,	Limited Assurance
	Bournebrook Primary School	Limited Assurance
	Goodyers End Primary School	Limited Assurance
	Fire Service Training	Substantial Assurance
<b>People</b>		
	Public Health - statutory obligations	Substantial Assurance
	Independent Reviewing Service	Substantial Assurance
<b>Resources</b>		
	Agresso upgrade and changes	Substantial Assurance
	Community Supermarket	Moderate Assurance
	Property Legislation Compliance	Moderate Assurance
	Complaints	Moderate Assurance
	Accounts receivable	Substantial Assurance
	Risk Management	Substantial Assurance
	Pension Audits	Substantial Assurance
	Contract Management	Moderate Assurance
	Information governance	Moderate Assurance
	IT integration and Strategy Review (2021/22)	Substantial Assurance
	Cloud Computing	Moderate Assurance
	Warwickshire Property Development Group	Substantial Assurance

Certification Audits		Outcome
1.	Priority families (4 claims)	Certified
2.	CSW Broadband: BDUK End of Year Report	Certified
3.	Universal Drug Grant	Certified
4.	Local Transport Authority COVID-19 Bus Service Support Grant	Certified
5.	Adult weight management	Certified
6.	Children's Social Care – Household Support Grant	Certified

<sup>1</sup> Note that some of these audits started in 2021/22