

Internal Audit Annual Report 2023/24

“Providing assurance on the management of risks”



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This document summarises the results of internal audit work during 2023/24 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 **Moderate assurance** that the significant risks facing the Authority are addressed.

Context

This report outlines the work undertaken by Internal Audit between 1 April 2023 and 31 March 2024.

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 2023/24

The underlying principle to the 2023/24 plan was risk and accordingly audits were focussed on areas that represented an identified risk through the established risk management processes, along with emerging risks identified through research and extensive consultation.

The methodology adopted in preparing the plan, and the plan itself, were approved by the Audit and Standards Committee on 23 March 2023

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

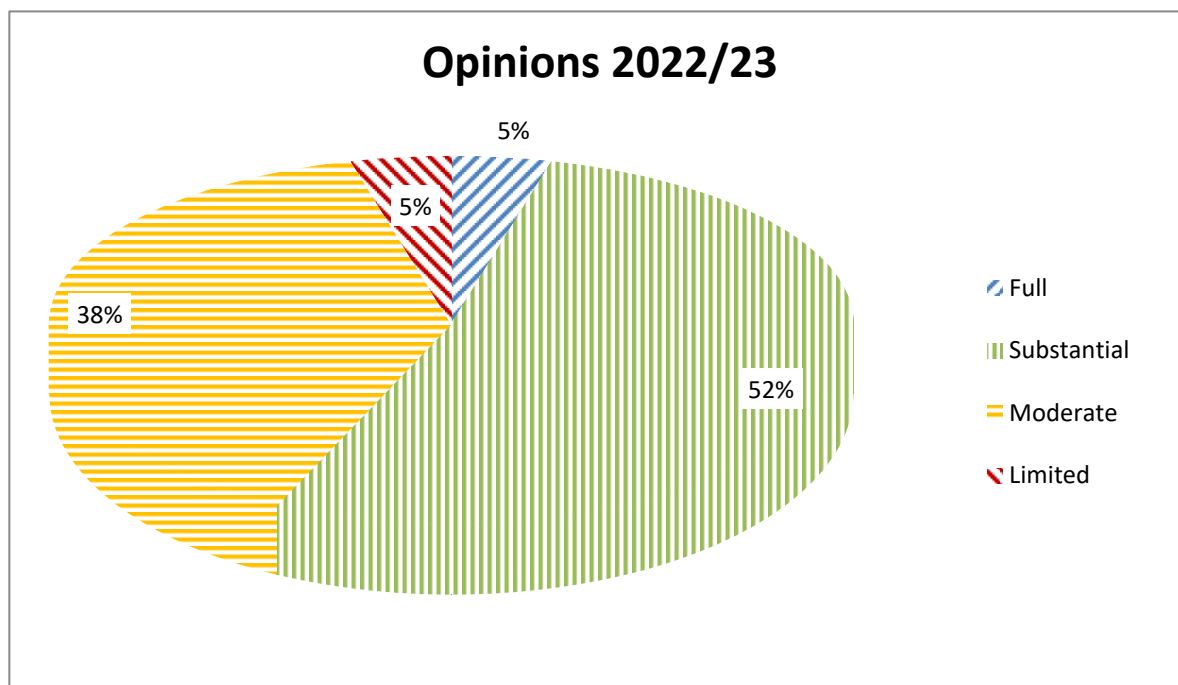
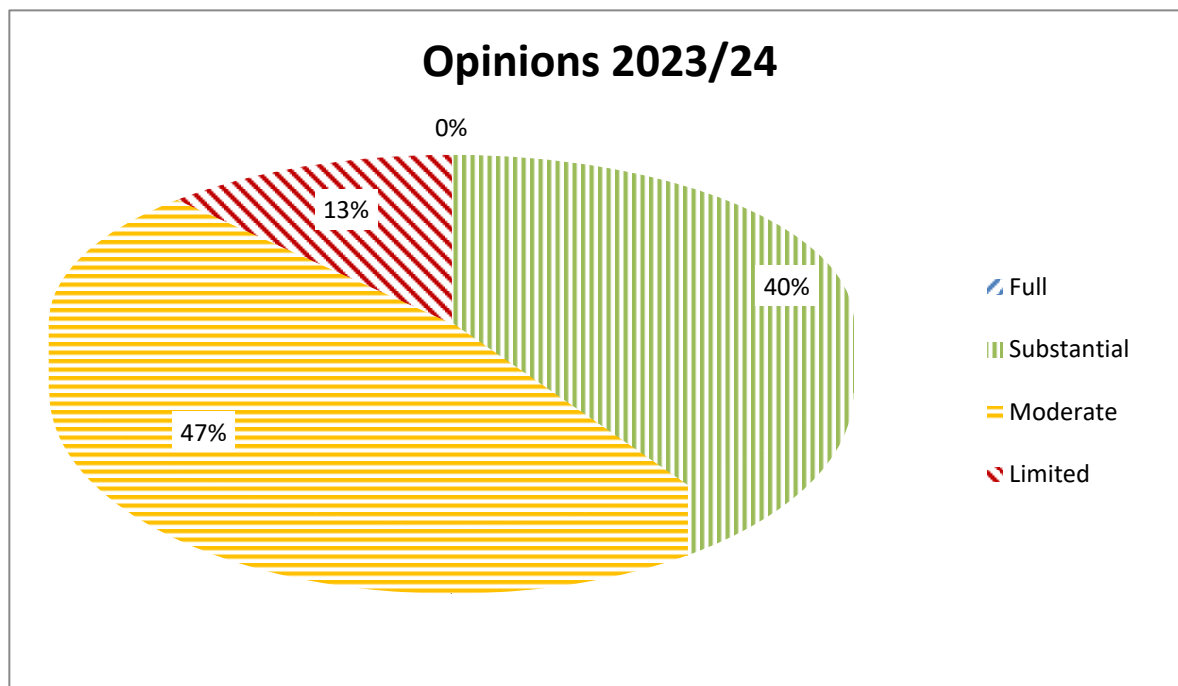
The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits are given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited,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

For 2023/24 the opinions were:

- Full Assurance (0 audits)
- Substantial Assurance (6 audits)
- Moderate Assurance (7 audits)
- Limited Assurance (3 audits)

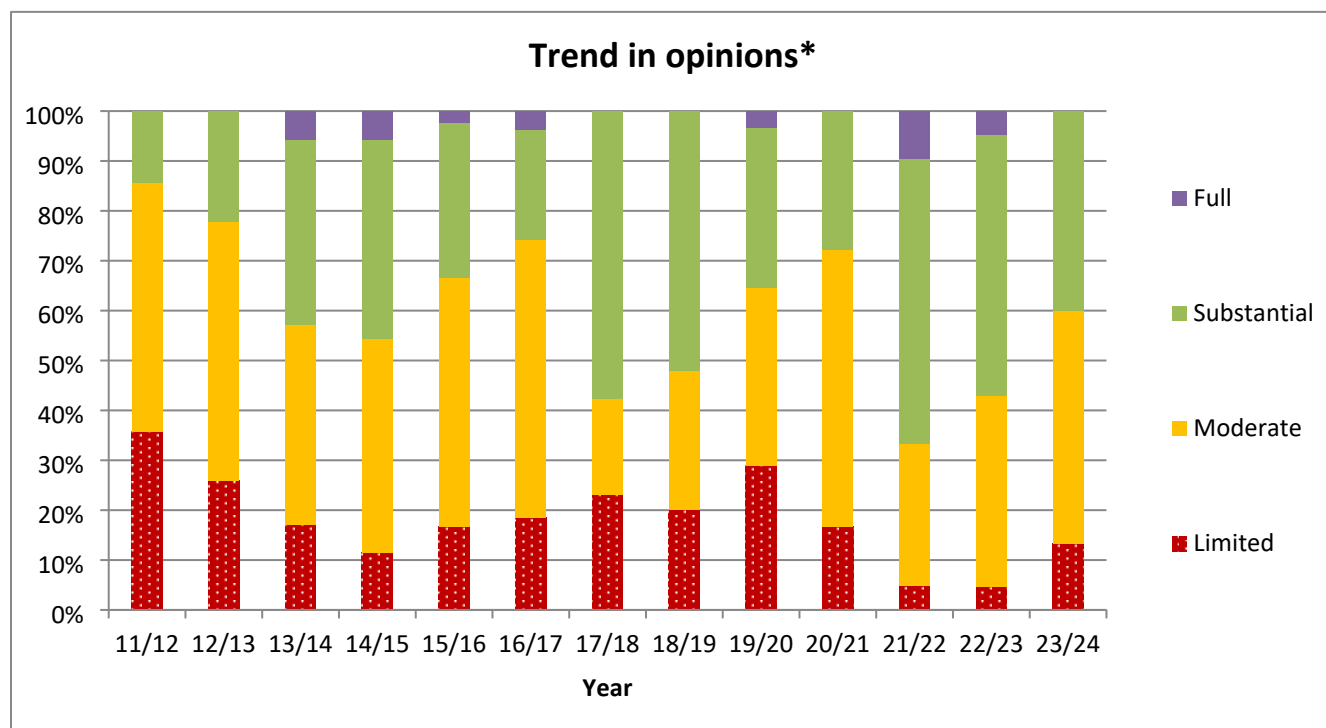
In the following chart, the individual school outcomes are amalgamated and shown as one Limited assurance for our schools work overall. The outcome of the majority of this year's audits (87%) are positive having a moderate, substantial or full opinion. The Limited assurance reports related to specific areas (they were reviews at schools and funding of Climate change actions) 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 list of the assurance work finalised during the year is given in Appendix A. There are other audits nearing completion and the outcomes of these will be reported to the Audit and Standards Committee when they are issued as final.

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 2023/24.



*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 Corporate 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; 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 Quality Commission inspection framework
- Schools in financial risk
- Finance system enhancements
- SEND budget forecasting

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.

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 2023, work was completed to highlight to staff the risks and signs of fraud and the mechanism for reporting concerns.

The County Council participates in the biennial National Fraud Initiative. This is a 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

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. Certifications satisfactorily signed off included:

- Supplementary Substance Misuse Treatment & Recovery (SSMTR) Grant 2022-23
- Multiply Fund 2023 Q4 Year 2
- Contain Outbreak Management Fund (COMF)
- Children's Social Care - Household Support Grant 2023 (Quarterly)

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 2023/24 these have included the following:

- Warwickshire County Council Children's Services arrangements for care-experienced young people was subject to a Focused Visit reported in May 2023 (Ofsted). This found that "Since the last inspection in November 2021, when children's services were judged to be good overall, there has continued to be an effective focus on improving services for care-experienced young people by senior leaders, elected members, and partner agencies."
- HMICFRS – Warwickshire Fire and Rescue – Inspection report September 2023. This assessment of 11 areas of performance found 4 to be adequate and 7 requiring improvement.
- The risk management framework was subject to an internal review in 2023 and this was approved by Cabinet in January 2024. The strategic risk register was

refreshed and updated and service level risks have been managed through service risk registers.

- In November 2023 an Annual Governance Report was presented to the Audit and Standards Committee. This was an internal report giving an overview of governance arrangements and the work undertaken to maintain strong, up to date governance arrangements.

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.

“...the auditor managed to gather all the relevant data required and came to balanced outcomes and recommendations”

The post audit questionnaire responses returned continue to be good with the average score from all surveys returned during 2023/24 being 4.8 out of a maximum of five, (up from 4.71 in 2022/23) and a number of positive comments and compliments about the service provided have been received, including:

- “[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”
- “We had opportunity to discuss and talk through processes, questions etc and comment on matters so both the auditor and us had a clear understanding through the audit and in respect of the report which I believe is a fair and accurate representation.”

- "... what was required was asked for up front so the auditor could complete the work without a great deal of need for chasing at a very busy period."
- "The auditor was very approachable and flexible around the diaries of those he needed to interview. Everything was explained at each stage by the auditor 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. I think that this overall approach meant that the auditor managed to gather all the relevant data required and came to balanced outcomes and recommendations."

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 2023/24. The Service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. The Internal Audit Manager is chairing the Midland Counties Internal Audit Group in 2024 and this group links with CIPFA to keep abreast of 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 uses a hybrid working model which is now well established with site visits being 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.

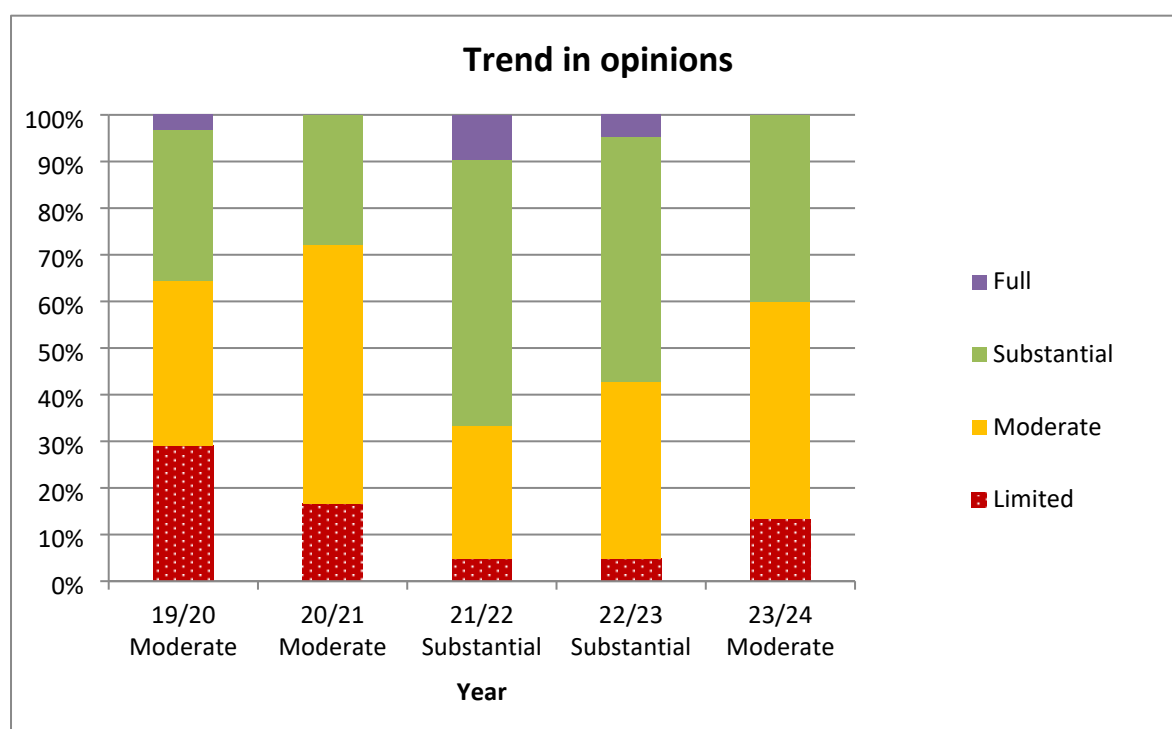
Opinion

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.

Over the last four years the annual Head of Audit opinion has reflected the outcomes of audit work and taken account of other factors. In 2023/24 the proportion of Substantial assurance opinions has dropped below 50% as illustrated below and this makes a Moderate annual opinion appropriate:



As stated earlier, a Moderate opinion is still a positive outcome, and the number of Limited opinions is low. My overall opinion also takes account of the higher risk environment in terms of financial sustainability. The county council remains financially strong, but the level of resilience is lower than in previous years. The council is acutely aware of this and the draft Annual Governance statement highlights the challenge. The council has set a balanced budget and medium-term financial strategy, but the ability to manage large variations is smaller than in the past.

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 that 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 **Moderate 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		
	Traveller site infrastructure	Moderate Assurance
	Climate Change	Limited Assurance
	Business Centres	Moderate Assurance
Social Care and Health		
	Adult Social Care management information	Moderate Assurance
Children and Young People		
	School Admissions	Moderate Assurance
	Dunnington Primary School	Limited
	Binley Woods Primary School	Limited
Resources		
	Anti Money Laundering (AML) and ethics	Substantial Assurance
	Workforce Planning	Substantial Assurance
	Cyber security	Moderate Assurance
	Data Ownership	Moderate Assurance
	Website and Intranet	Substantial Assurance
	Financial Assessments - Benefits Assessment & Income Control (BAIC)	Substantial Assurance
	Registration Service	Substantial Assurance
	Insurance	Substantial Assurance
	Pension fund management	Moderate Assurance

Certification Audits		Outcome
1.	Priority families (4 claims)	Certified
2.	Local Authority Bus Subsidy (Revenue) Grant: Determination 2022/23	Certified
3.	COMF Monitoring Returns Q3 - Warwickshire	Certified
4.	Multiply Fund 2023 Q4 Year2	Certified
5.	Children's Social Care – Household Support Grant	Certified

¹ Note that some of these audits started in 2022/23