

Internal Audit and Investigation Service

2021/22 Audit and Investigation Progress Report (1 April 2021 to 28 February 2022)

1. INTRODUCTION

- 1.1 This report summarises the work of the Internal Audit and Investigation Service for the period 1 April 2021 to 28 February 2022, as part of our regular reporting of progress to Audit Committee (AC).
- 1.2 At their meeting on 22 February 2021, the AC agreed the move to a quarterly audit and investigation planning cycle for the 2021/22 financial year rather than an annual one due to the ongoing impact of the Covid-19 pandemic on the Council's services and the associated internal audit work programme.
- 1.3 The AC initially approved the Quarter 1 and 2 Work Programmes on 22 February 2021 and 28 July 2021 respectively. As working arrangements began to normalise, AC approved the internal audit work programme for the full 2021/22 financial year on 15 September 2021, incorporating audits previously agreed for Quarters 1 and 2.
- 1.4 This report presents progress made against achieving the full year plan to 28 February 2022.

2. INTERNAL AUDIT

- 2.1 Appendix A(I) updates AC on the status of work against the approved 2021/22 Audit and Investigation Plan as at 28 February 2022 and where audits have been completed, the overall audit opinion given.
- 2.2 Table 1 below summarises the status of those audits and includes audits completed from the 2020/21 financial year.

Table 1: Status of audits

Audit Status	Number of audits
Final Report	10
Draft Report	2
Fieldwork In Progress	4
Grant Certifications	8
Total	24

2.3 Table 2 below summarises the audit opinions awarded for those audits finalised in the year 2021/22 to date, where an Audit Opinion has been awarded. It is pleasing to note that no audits achieved the lowest two categories of audit opinion.

Table 2 : Summary of audit opinions awarded

Overall Opinion	Summary of Audit Opinion	Number of Audits
1	Complete and Effective	1
2	Substantially Complete and Generally Effective	6
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	0
4	There is no effective Risk Management process in place	0
	Advisory – No Opinion	3
Total		10

2.4 Management is given one month between the draft and final reporting stage to address any countermeasures and, where applicable, improve the overall audit opinion. There were no audits where this option was utilised by management. However, six out of seven audits completed fell into the Category 2 opinion.

2.5 Since the last progress report to AC on the work of the team to 31 October 2021, work has progressed on a number of Key Corporate Risks areas, Key Financial Systems, Covid Grant work and Grant Certifications.

Key Corporate Risk Audits

2.6 Specific reviews of Key Corporate Risks have been undertaken in respect of Net Zero (Climate Emergency), Public Protection Partnership, Adults Safeguarding, Data and Equalities. All are currently at draft report stage with actions being discussed with management and the outcomes of those reviews will be reported as part of the 2021/22 Annual Audit and Investigation Report. However, for the audits of Net Zero (Climate Emergency) and Public Protection Partnership, whilst they have not been formally concluded, as the audits were requested by the AC, a brief summary of work to date is provided below.

Net Zero (Climate Emergency) Audit

- This audit was undertaken under a Co-sourced audit Framework agreement with Price Waterhouse Coopers in order to engage their specialist skills and expertise in this area and to share best practice. The review was a high level review of the Council's governance, management and reporting arrangements in relation to Climate Emergency.
- The Director Sponsor has been briefed on the findings of the review and indications from the exit meeting are that good progress has been made by the Service.
- The overall audit assurance rating is Category 2 with some suggested Improvement Opportunities. This outcome supports what officers in the Service has reported during the course of their activities and in reporting to Members.
- This outcome is further supported by the results of the recent independent assessment by Climate Emergency UK, a leading independent organisation who benchmark all local authority Climate Action Plans across the UK and Northern Ireland. In their recent analysis, WBC was assessed as having the 22nd best Climate Emergency Action Plan of more than 400 local authorities in the UK & Northern Ireland.

- The draft report is currently being prepared and the more detailed outcome of this audit will be reported as part of the 2021/22 Annual Internal Audit and Investigation Report.

Public Protection Partnership (PPP)

- AC commissioned an audit to provide assurances regarding any potential outstanding risks to the Council following the dissolution of the PPP arrangement on 31 March 2022.
- A high level desk top exercise has been undertaken and an audit overview has been maintained in the latter part of the financial year as the project has progressed. This has included update meetings with the Service Director and his team at various stages of progression, and interviews with key officers from Finance, Legal, IT and the Project Lead.
- From discussions with officers and review of supporting documentation, risks appear to have been properly considered as part of Corporate Risks and Operational Risk Registers and the Project Management and implementation documentation is well documented, overseen and regularly reported. There is a clear Plan for going forward with the new service and at this stage there is nothing specific to alert AC to with that has not already been reported through appropriate channels with regard to this area.
- Internal Audit will continue to keep an overview and have included provision within the 2022/23 Internal Audit and Investigation Plan for a review of the New Enforcement and Safety Service, that will replace the PPP, over each of the four quarters of 2022/23 to assess whether the expectations of the new service are being met.

2.7 An audit of IT Controls (Cyber Security) has commenced in the form of a Self-Assessment Questionnaire that has been issued to response to emerging threats. The 2022/2023 audit planning process recognises this as a key Corporate IT risk and preparatory audit fieldwork is underway.

Key Financial Systems

- 2.8 Work has also been undertaken in respect of a number key financial systems audits, Council Tax, NNDR and Housing Benefits to ensure sufficient coverage of these key systems, especially after the impact of Covid that had delayed these audits from being completed.

Grant Certifications

- 2.9 An increased number of Grant Certifications have been audited during the period as a result of Covid. The team carries out work to verify and certify amounts that the Council can claim. Without this certification, grants may become repayable. Grants certified include: -

- Supporting Families Grant Programme (Quarters 1, 2 and 3)
- DfT Transport Capital Grant
- Bus Subsidy Operators Grant
- Disabled Facilities Grant
- Rough Sleepers Initiative – Covid Related Grant
- DfT - LTA Bus Recovery Grant – Covid related Grant
- DfE - Additional Home to School Transport Grant
- DfT – Covid-19 Bus Service Support Grant

Outstanding management responses

- 2.10 There are no outstanding management responses to audit reports.

Deferred Audits

- 2.11 One audit has been deferred during the period in relation to Children's Services Special Educational Needs and Disability (SEND) due to staff changes within the directorate and this audit will be reconsidered as part 2022/23 Internal Audit and Investigation planning process. The audit was replaced by a senior management request to undertake a review of Children's and Adults Safer Recruitment to determine whether the controls over the operation of the recruitment policy, with specific regard to the safer recruitment process across the Council, are effective. This work is currently in progress.

3 FRAUD AND IRREGULARITIES

- 3.1 There have been no incidences of material fraud, irregularities or corruption discovered or reported during the year.
- 3.2 The work undertaken by the team has included re-active investigations as well as developing pro-active fraud drives. A summary of the key areas activity since we last reported is provided below:-

Pro-active Exercises - Empty Property Relief - During the first part of the year an exercise to investigate Council Tax Empty Property Relief was undertaken. The number of letters sent out for the empty property review was 515 with 337 (65.4%) returned of which 168 (49.85%) of these, reporting changes in circumstances. It should be noted that the properties identified in the Council Tax Empty Property Relief exercise as occupied that were previously shown as unoccupied feed into the New Homes Bonus Scheme formula and may result in extra income into the Council through liable charges being raised for previous Council tax liability.

National Fraud Initiative Data Matching Exercise - The bi-annual upload of data for the National Fraud Initiative has taken place and the data matches returned are being reviewed as part of the 2021/22 financial year Work Programme. The results of this exercise will be reported in our 2021/22 Annual Internal Audit and Investigation Report.

Covid grant post payment assurance work - Evidence has been obtained and submitted to the Department for Business, Energy and Industry Strategy in accordance with the requirements of Covid grant conditions for various Covid business grants paid.

Police DPA requests - These requests are received on an ad hoc basis and require immediate response to ensure that we are working efficiently with the Police for the prevention and detection of crime, the prosecution and/or apprehension of offenders and/or protecting the vital interests of a person. The annual number of DPA requests will be reported to this Committee in the 2021/22 annual report.

Freedom of Information / Data Protection Act Requests - We aim to ensure that these requests are responded to within the legal timescale requirements, freedom of information requests related to internal audit and investigation work, including fraud and whistleblowing. The annual number of Data Protection Act requests will be reported to this Committee in the annual report.

Regulation of Investigatory Powers Act (RIPA) – No investigation cases have been undertaken to date that have required RIPA surveillance approval to be requested.

4 NEW INTERNAL AUDIT AND INVESTIGATION SERVICE

- 4.1 Work has continued over the year in taking forward the redesign proposal for the new Internal Audit and Investigation Service that will be formally established with effect from 1 April 2022. This has included the preparation of a new 2022/23 Internal Audit and Investigation Strategy and Plan for the Service that reflects key audit review areas to ensure the right balance and focus of audit work for the new service. This has and continues to include engagement with key stakeholders as we further develop and design the new service going forward.
- 4.2 The redesign of the Internal Audit and Investigation Service has presented us with an opportunity to look at a different approach to providing Internal Audit and Investigation Services at WBC. Although the new Service has not yet commenced formally, the Service already has a higher profile, a clear and more engaging approach, which is manifesting itself through the feedback we are receiving from our key stakeholders.
- 4.3 As part of the establishment of the new Service we are reviewing our protocols, procedures and reporting templates to ensure that they are current and effective.
- 4.4 A new Internal Audit Charter (Terms of Reference) has also been prepared that sets out the purpose authority and responsibility of internal audit and this is presented as a separate report to this committee meeting for approval.
- 4.5 This work will also enable the team to prepare for an External review of the new service against the Public Sector Internal Audit Standards (PSIAS), a requirement for all local authorities every five years, the last External review at WBC being undertaken in 2018.
- 4.6 A recruitment campaign has commenced to recruit to permanent posts, with two vacant roles currently being covered by interim resource to assist the team with the smooth delivery of the audit and investigation Work Programme. We aim to develop expertise in the team, supported by a co-sourced arrangement under an Audit Framework and also a Guest Auditor programme. This will also provide technical support and resilience and enhance development opportunities within the team.

4.7 Further, we aim to develop and implement succession plans that are underpinned by the principle of growing our own skilled professionals through the apprenticeship and graduate trainee route. This approach does not only support the Council's wider objectives but also helps to address difficulties currently faced nationally in recruiting experienced and qualified internal audit staff.

5. CONCLUSION

5.1 The intention of this report is to appraise AC of the activity of the Internal Audit and Investigation Service on a regular basis throughout the year and to bring items of significance to Members' attention. This will culminate in the production of the 2021/22 Annual Audit and Investigation Report summarising the work of the year and will be presented to AC in June 2022. This report will include the Chief Audit Executive's (Head of Internal Audit and Investigation) Annual Audit Opinion on the Council's governance, internal control and risk management framework and this will also support the production of the 2021/22 Annual Governance Statement.