



**WOKINGHAM BOROUGH COUNCIL**

**ANNUAL INTERNAL AUDIT &  
INVESTIGATION REPORT  
2021/22**

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A(I)	2021-22 Internal Audit and Investigation Plan Progress (Position as at 31 March 2022)

## **1. PURPOSE OF THE ANNUAL REPORT**

- 1.1 This Annual Report provides a summary of the work completed by the Shared Audit and Investigation Service (SAIS) during 2021/22. Its purpose is:
- to include an opinion on the overall adequacy and effectiveness of the Council's internal control, governance and risk management environment,
  - present a summary of the audit work on which the opinion is based,
  - draw attention to any key issues that may impact on the level of assurance provided,
  - provide a summary of the performance of the Service,
  - comment on the Audit Service's level of compliance with the Public Sector Internal Audit Standard (PSIAS).

## **2. HEAD OF INTERNAL AUDIT AND INVESTIGATION ANNUAL OPINION AND KEY HEADLINES**

- 2.1 At their meeting on 22 February 2021, the Audit Committee (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.
- 2.2 The Audit Committee (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.
- 2.3 The Internal Audit and Investigation Service has been undergoing a period of change and transition during the financial year due to the dissolution of the SAIS arrangement with the Royal Borough of Windsor and Maidenhead. This was completed on 31 March 2022 and arrangements for a new Service have been developed and put in place to commence with effect from 1 April 2022. This has included associated changes to the resource base of internal audit, which has been managed through the year through the year to ensure continuity of the service through the period of change.
- 2.4 Additional work for the SAIS during the year has related to the various Covid-19 Grants and the related Central Government requirements with set timescales. This has had a significant impact on the work of the team in responding to these requirements within tight timescales.
- 2.5 Our overall opinion on the adequacy of the Council's arrangements for internal control, governance and risk management for 2021/22 is based on evidenced assessment of the control framework in a number of areas in accordance with the Internal Audit and Investigation Plan. It should be noted that in devising the annual audit and investigation plan, a risk-based approach is taken and as such, areas of highest risk are targeted for review of the mitigation and controls in place.

- 2.6 This report provides a summary of the work undertaken during the financial year 2021/22 and the results of that work, which inform the overall audit opinion. Details of that work are at [Appendix A\(I\)](#), together with the assurance levels we have been able to provide for each review, where appropriate. For each audit review completed, the assurance level is determined based on the level of control found as set out at [Appendix A\(I\)](#) - Legend Section.
- 2.7 Account is also taken of other assurance mechanisms e.g., Peer Review, Ofsted Inspections to inform the Chief Audit Executive (role fulfilled by Head of Internal Audit and Investigation) overall opinion in those areas of coverage during the year.

**Head of Internal Audit and Investigation Annual Opinion 2021/22**

*“Substantially Complete and Generally Effective but with some improvements required”.*

*Based on audits completed during the year, most key controls are in place and are operating effectively with the majority of residual risks being reduced to an acceptable level and reported concerns being aimed by management to be reduced to a predominately moderate impact level. A small number of exceptions were identified, and these have been discussed with Senior Management and where necessary, presented to previous meetings of the Audit Committee. This audit opinion supports other assurance mechanisms such as External Audit, external professional body inspections and the Annual Governance Statement (AGS).*

**3. AREAS OF RISK EXPOSURE**

- 3.1 From internal audit work undertaken during 2021/22, for those audits completed to Final Report stage, it is pleasing to note that based on the audit areas reviewed during the period, none have received the third or fourth category of audit opinion (on a scale of category 1 being ‘High’ and 4 being ‘Low’ (for descriptions refer to Legend Section in [Appendix A\(I\)](#)).

**4. INTERNAL AUDIT SERVICE PERFORMANCE AND CONTRIBUTION**

- 4.1 [Appendix A \(I\)](#) details the status of audits against the 2021/22 Audit and Investigation Plan as at 31 March 2022 and those audits completed from the 2020/21 financial year. Table 1 provides a summary.

**Table 1: Status of audits**

<b>Audit Status</b>	<b>Number of audits</b>
Final Report and Advisory	12
Draft Report	4
Fieldwork In Progress	2
Grant Certifications	15
<b>Total</b>	<b>33</b>

- 4.2 For the reviews completed, where an audit opinion was appropriate (i.e., Final Report stage), the following breakdown of classification is summarised in Table 2 below.

**Table 2: Summary of audit opinions awarded**

<b>Overall Opinion</b>	<b>Summary of Audit Opinion</b>	<b>Number of Audits</b>
1	Complete and Effective	2
2	Substantially Complete and Generally Effective	6
3	Range of Risk Mitigation Controls is incomplete, and risks are not effectively mitigated	
4	There is no effective Risk Management process in place	
	Advisory – No Opinion	4
	Grant Certifications	15
<b>Total</b>		<b>27</b>

- 4.3 Audit reports are presented using lean terminology, using the cause, concern and countermeasure and management are given the opportunity to treat, tolerate, terminate, or transfer the concerns and associated risks. Management Action Plans have been put in place to address issues identified during audit work and audit follow up verification will confirm whether agreed countermeasures for Very High or High concerns have been actioned within agreed timescales.
- 4.4 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.

- 4.5 Where concerns are classified as being Very High or High that have been tolerated by management, these are highlighted to the Audit Committee. There are no cases of Very High or High concerns being tolerated by management.

### **Key Corporate Risk Audits**

- 4.6 During the year, specific focus has been made on the Council's Key Corporate Risks. Of the 16 risk subject areas in the Corporate Risk Register at the time of preparing this report, 6 have been subject to audit: – Net Zero (Climate Emergency); Corporate Governance; Adult Services, Safeguarding; Information Governance (Information & Data Management); Failure to Meet Statutory Duties (Diversity & Equalities) and Public Protection Partnership.
- 4.7 In addition, an audit of IT Controls (Cyber Security) commenced in the latter part of the year 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**

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

### **Grant Certifications**

- 4.9 An increased number of Grant Certifications have been audited during the period. 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 (Quarterly)
- 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
- DfT Travel Demand Management Grant
- Prevent and Vaccinate Grant
- Homelessness Prevention Grant
- COVID Business Grant PPAS
- Resource Departmental Expenditure Limit Grant

## **Outstanding management responses**

- 4.10 There were no audits where management responses were outstanding at the time of preparing this report.

### **Deferred Audits**

- 4.11 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 the area was subject to external inspection during the year. This audit area will be reconsidered for inclusion in the 2022/23 Internal Audit and Investigation Plan, in discussion with the Interim Director of Children's Services. The audit was replaced by a senior management request to undertake a review of Children's and Adults Safer Recruitment. The purpose of the audit was to determine whether the controls over the operation of the recruitment policy, with specific regard to the safer recruitment process during Covid, across the Adults and Children's Services Directorates, are effective. This report is at draft report stage to discuss with the Chief Executive.

### **Consultancy, Contingency and Advice**

- 4.12 In addition to completing planned audit reviews, the team also provide consultancy, ad hoc advice and guidance across the Council to assist colleagues with ensuring that control and governance arrangements are considered in developing processes/policies etc. There has been a range of activity in this respect during the year, which has included advisory work in respect of the Creditors/Purchase Ledger System, verification of the Diversity and Equalities Framework, Information and Data Management Self Assessments against recommended best practice guidance, to give independent assurances and reasonableness checks, as well as providing guidance on Right to Buy scheme processes and controls.
- 4.13 Internal Audit was interviewed and contributed to the Corporate Peer Challenge that took place in November 2021, which enabled internal audit to be part of the wider agenda and direction of the Council.
- 4.14 The Team provide support to Corporate Working Groups, where appropriate. This included providing internal audit input to the Tackling Racism at Work Working Group in terms of reviewing Council policies covering Racism at Work. This has been expanded to all other Diversity and Equality policies as another aspect of this work.

## 5. FRAUD AND IRREGULARITIES

- 5.1 There have been no incidences of material fraud, irregularities or corruption discovered or reported during the year.
- 5.2. 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: -

**National Fraud Initiative Data Matching Exercise** – The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office to assist in the prevention and detection of fraud. Data for the NFI is provided by participating organisations from the public and private sectors including government departments. The bi-annual upload of data for the National Fraud Initiative has taken place and the data matches are being investigated.

The initial results from the 2021/22 Work Programme are summarised in Table 3 below. These do not include the Payroll or Creditors data matches as these were still being investigated at 31 March 2022 and the results of this work will be included a future 2022/23 Progress Report to AC. In addition, any Single Persons Discount based data matches are not included as these are being reviewed by an external company.

The values calculated below (\*) are provided by the Cabinet Office and their identification through this Data Matching work prevents ongoing financial loss to the Council.

**Table 3 Summary of Data Matching Results to 31 March 2022**

<b>NFI report matches</b>	<b>Number of Instances</b>	<b>Value (£'s) *</b>
Blue Badge to DWP Deceased	149	85,675
Concessionary Fares to DWP Deceased	238	5,712
Waiting List to Housing Tenants	5	16,200
Waiting list to Housing Benefit Claimants	13	42,120
Waiting list to Waiting List	2	6,480
Waiting list to DWP Deceased	4	32,400
<b>Total</b>		<b>£188,587</b>



**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.

**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. In addition, any fraud risk assessments have been completed and returned.

**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.

**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 relating to internal audit and investigation work include fraud and whistleblowing.

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

## **6. NEW INTERNAL AUDIT AND INVESTIGATION SERVICE**

- 6.1 Work continued over the year in taking forward the redesign proposal for the new Internal Audit and Investigation Service, formally established with effect from 1 April 2022. This included the preparation of a new 2022/23 Internal Audit and Investigation Strategy and Plan for the Service, which reflects key audit review areas to ensure that 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.
- 6.2 The redesign of the Internal Audit and Investigation Service presented us with an opportunity to look at a different approach to providing Internal Audit and Investigation Services at WBC. Although the new Service had not yet commenced formally, our preparations has resulted in the Service already having a higher profile and a clear and more engaging approach, which is manifesting itself through the feedback we are receiving from our key stakeholders.
- 6.3 As part of the establishment of the new Service, we have been reviewing our protocols, procedures and reporting templates to ensure that they are current and effective.

- 6.4 An Internal Audit Charter (Terms of Reference) for the new Internal Audit and Investigation Service was approved by AC on 30 March 2022. This included addressing the action from the recent Local Government Association (LGA) Corporate Peer Challenge (as reported to Executive on 7<sup>th</sup> March 2022) which recommended that reporting lines for Internal Audit be clarified.

## **7. RESOURCES**

- 7.1 A recruitment campaign is in progress 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. To further develop expertise in the team, we have engaged with a co-sourced arrangement under an Audit Framework with the London Borough of Barnet. This will also provide technical support and resilience and enhance development opportunities within the team going forward.
- 7.2 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 as well as a Guest Auditor programme. This approach not only supports the Council's wider objectives but also helps to address difficulties currently faced nationally in recruiting experienced and qualified internal audit staff.

## **8. CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)**

- 8.1 The PSIAS, as revised in April 2017, define the service and professional standards for public sector internal audit services. The standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Within the PSIAS, there is a requirement for an independent external review of the internal audit function once every five years.
- 8.2 The last external inspection of the Internal Audit Service against the PSIAS took place in 2018 and assessed the service as 'generally' conforming to the standards (the top category of opinion).
- 8.3 In addition, Internal Audit completes an annual self-assessment of its compliance with the requirements of the PSIAS and the relevant CIPFA Local Government Application Note (LGAN).
- 8.4 The purpose of the External Review and the interim annual Self Assessments is firstly to provide assurance to the Audit Committee and management that Internal Audit is compliant with the PSIAS and consequently they can rely on the work of Internal Audit, and secondly, to further enhance delivery of the internal audit function through the identification of opportunities for development.
- 8.5 The next external inspection of the Service against the PSIAS will be commissioned during 2022/23 and it is intended that this will take place during Quarters 3/4 of the financial year, once the new Service has had an opportunity to establish and bed in its new working practices. The results of this review will be reported to a future meeting of the Audit Committee.

## 9. CONTEXT AND COMPLIANCE

- 9.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. (*Source: Public Sector Internal Audit Standards and Local Government Application Note: Chartered Institute of Public Finance and Accountancy in collaboration with the Chartered Institute of Internal Auditors*).
- 9.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.
  - The Accounts and Audit Regulations 2015 (Amendment) (England) states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
- 9.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, the S151 Officer, Directors and the Chair of the Audit Committee.
- 9.4 The Head of Internal Audit and Investigation confirms that any restrictions on the scope of internal audit work and reasons are as outlined in the headline summary section of this report.

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