

ANNUAL INTERNAL AUDIT REPORT 2021/22



<p>Report By: Joanne Innes Internal Audit Manager</p>	<p>Date: 11 May 2022</p>
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1. Purpose of the Annual Internal Audit Report

- 1.1 This is the annual report of the Internal Audit Manager to the Audit Committee as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2021 to 31 March 2022.
- 1.2 In addition to the report including the Internal Audit Manager's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control environment. It also provides information on:
- the delivery of the annual audit plan
 - audit reports issued and issues of concern
 - implementation of agreed actions
 - Internal Audit's performance
 - the quality assessment and improvement programme

2. Overall opinion

- 2.1 Based upon work undertaken it is my opinion that the overall adequacy and effectiveness of the Council's framework of governance, risk management and control as of 31 March 2022 is **Satisfactory**.
- 2.2 However, the opinion excludes any view on the effectiveness of the key controls associated with a number of financial systems Council Tax/NNDR, Housing benefits and Main Accounting due to work in that area not being completed at the time of preparing this opinion statement.
- 2.3 The overall opinion of Satisfactory is unchanged from last year
- 2.4 Assurance can never be absolute. The audit opinion reflects the Internal Audit Managers view on the current state of the internal control environment across the Council and provides the Committee with an opinion for inclusion in the Annual Governance Statement (AGS).

The Internal Audit Manager will inform the Audit Committee if they consider that significant changes have occurred to the internal control environment prior to the Committee approving the AGS.

3 Delivery of the annual audit

- 3.1 The risk based Internal Audit Plan for 2021/22 was approved by the Audit Committee in March 2021. It included 15 internal audit reviews together with time allowances to undertake amongst others, follow-up reviews, fraud related work, oversight of the risk management process and delivery of the annual governance statement.
- 3.2 The March 2021 Audit Committee report also explained that the plan had been prepared on the assumption that internal audit involvement with the COVID Business Grants scheme would be reduced. That assumption was incorrect, and work continued delivering further business grants and

facilitating test & trace work. Furthermore, there were additional requirements for pre and post assurance work for business grants and test & trace.

- 3.3 In December 2022 Audit Committee requested an additional audit to review the Shapley Heath Garden Community project. This work is currently underway and being delivered by an external company.
- 3.4 Only one review has been completed in house, the remainder were undertaken by internal auditors employed by Basingstoke and Deane BC and Wokingham BC.

4 **Audit Reports issued and issues of concern**

Audit reports issued are listed in the table below. The Audit Committee have received copies of all the issued reports listed below.

Area of Review	Opinion Provided
Audit Carry over from 2020-21	
Housing Benefit 2020-21	Limited
Treasury Management 2020-21	Satisfactory
Audit Reports issued 2021-22	
Treasury Management	Substantial
Accounts Payable	Satisfactory
Accounts Receivable	Satisfactory
Payroll	Satisfactory
Waste Management	Satisfactory
Grounds Maintenance & Street Cleaning	Satisfactory
IT Controls	Satisfactory
Complaints	Limited
Disabled Facilities Grants	Limited
Fraud Risk Assessment	No Overall Opinion Given
Cash/Income Management	This audit was not completed as a separate audit and was incorporated in to testing in other financial audits
Housing Benefits	In progress
Planning Performance	In progress
Financial Resilience	Draft
Council Tax/NNDR (Local Taxation)	In progress
Main Accounting	In progress
Shapley Health	In progress

Note that Grounds Maintenance/Street Cleaning and Waste were issued as two separate reports

- 4.1 The financial resilience draft audit report is reporting a satisfactory level of assurance and verbal feedback for Local Taxation indicates a satisfactory level of control is in place.

- 4.2 Fieldwork is in progress on housing benefit, planning performance and main accounting. Verbal updates do not currently indicate that there are any significant control weaknesses in these areas. Final reports for these reviews will be reported to audit committee in due course.
- 4.3 For each review carried out an opinion was provided on the adequacy of the system of internal control. There are four categories of assurance on internal control that can be provided these being:

Level of Assurance
Substantial assurance: can be given where there is a sound system of controls in place which are applied consistently to enable achievement of the intended objective.
Satisfactory assurance: can be given when there is generally a sound system of internal control in place with only minor lapses, and in general objectives are being achieved.
Limited assurance: is given where controls in place are not always applied and objectives may not be achieved, meaning the Council is exposed to the risk of financial loss, fraud or the loss of reputation.
No assurance: is given where weaknesses in control has resulted in a failure to achieve objectives.

- 4.4 In addition to the reports listed above, the Internal Audit Manager has been able to obtain assurance over the effectiveness of the internal control environment through their involvement in the following areas.
- Completed Pre and Post Payment checks for National Restrictions Support Grant, Restart Grants, Omicron and additional Restrictions grant schemes. These checks identified 11 attempted grant frauds in the Restart scheme, 1 of these was paid.
 - Facilitating the process for updating of the Corporate Risk Register and its reporting to the Overview & Scrutiny Committee.
 - Assisted Service Managers to update their service risk registers ensuring that the risks from the service plans were reflected
 - Reviewed the effectiveness of the risk management framework (satisfactory opinion) and reported the findings to Audit Committee in March 2022.
 - At the request of the Audit Committee, and when appropriate to the audit, undertook reviews that assessed the quality of performance data reported to the Overview & Scrutiny Committee.
 - Reviewed and updated the Whistleblowing Policy prior to its approval by the Audit Committee in March 2022.

- Reviewed and updated the Local Code of Corporate Governance, 2020/21 annual governance statement (AGS) and the progress made by senior management to introduce the improvements identified.
 - Took part in the complaint project task and finish group to assist with the delivery of the new complaints policy.
 - Delivered mandatory Fraud Awareness and Cyber Security training for all employees and to new members during 2021/22
 - Internal Audit will always consider the risk of fraud in all reviews that are carried out.
 - Being the key contact for managing the follow up of data matches for grants, single person discounts identified as part of the National Fraud Initiative. Audit committee are informed of progress.
- 4.5 Housing Benefit fraud and single person discount fraud have been identified during 2021/22, much of the single person discount fraud found was the result of a full review of single person discount recipients. None of these were found to be material and adequate controls are in place to mitigation potential frauds.
- 4.6 One suspected fraud has been investigated in the authority which was not substantiated.
- 4.7 During 2021/22 a Fraud Risk Assessment was carried out. The purpose of the assessment was to review the effectiveness of the internal control framework in place to manage the risk of fraud. A number of actions were raised and are currently being worked on. It is deemed that there is adequate internal control in place during 2021/22 to provide reasonable assurance that fraud risks are being managed.
- 4.8 There has been one substantial assurance, six satisfactory assurance and two limited assurance reports.
- 4.9 Two high risk recommendations were raised in 2021-22; These were raised in the IT controls audit and the Disabled Facilities Grants audit and are detailed below.

Area of Review	Reasons for Limited Opinion
Disabled Facilities Grants	The disabled facilities grant process is not complying with the Council's standing orders
IT Controls	The responsibility for the maintenance and administration of three key IT systems has been devolved to Services rather than the central IT team. It was found that there are no clearly defined responsibilities for Service managers to adhere to in respect of expected IT access controls, security management or cyber security.

5 Implementation of agreed actions

- 5.1 Follow up reviews have been completed on high risk actions and progress is monitored.
- 5.2 Audit committee are advised of the follow up of high-risk recommendations
- 5.3 Follow up's are scheduled to be reviewed each quarter.

6 The quality assessment and improvement programme

- 6.1 The PSIAS require the Internal Audit Manager to develop and maintain a quality assurance and improvement programme (QAIP) which needs to be sufficiently comprehensive to encompass all aspects of internal audits operation and management, and which once in place, should allow them to provide reasonable assurance that internal audit:

- Performs its work in accordance with its Charter and in conformance with the PSIAS.
- Operates in an effective and efficient manner.
- Is perceived as adding value and continuously improving.

Furthermore, PSIAS includes a requirement for periodic self-assessments and external assessments at least once every five years by a qualified, independent assessor from outside the Council.

- 6.2 Due to their involvement with managing COVID related issues, the Internal Audit Manager has not had the opportunity to complete a self-assessment to evaluate whether or not Internal Audit is performing in conformance with PSIAS or not.
- 6.3 Internal Audit do not have a formal QAIP document. This will be addressed during 2022/23 and a QAIP will be submitted to the Audit Committee for approval. A number of the processes and procedures that are associated with a QAIP are in place, such as:
 - development of a risk based audit plan
 - structured planning and fieldwork working papers which are reviewed at key stages
 - the formal review and sign off to both draft and final audit reports
 - regular follow-up reviews of agreed recommendations
 - regular reporting to the Audit Committee of progress in delivering the internal audit plan.
- 6.4 As required by PSIAS the Internal Audit Manager reports functionally to the Audit Committee and maintains organisational independence. They have had no constraints placed upon them in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

- 6.5 As the majority of internal audit reviews conducted during 2021/22 have been undertaken by internal auditors from Basingstoke and Deane and Wokingham it is appropriate to consider their compliance with PSIAS.
- 6.6 Taking all of the above together, the Audit Manager is of the opinion that whilst a formal documented QAIP is not in place there is sufficient evidence to suggest that internal audit is being delivered in 'partial conformance' with the PSIAS, rather than non-conformance.