

Contains Confidential or Exempt Information	No
Title	Annual Report on Internal Audits including Head of Audit Opinion and Performance Report.
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For Consideration By	Audit Committee

1. Details of Recommendations

It is recommended that the Audit Committee:

- Note the performance of the Internal Audit team and key issues arising during the year.
- Note the Head of Audit and Investigations Annual Opinion for 2022/23.

Summary

The attached report describes the annual report and the Head of Audit's Opinion and details of the work completed by the Audit team between Apr 22 to Mar 23.

2. Background

This report outlines the performance of Internal Audit from Apr 2022 until March 2023 including all reports finalised during that period.

Internal Audit activity with the WLWA is delivered under an arrangement with the London Boroughs of Ealing and Hounslow (shared service).

Internal Audit (IA) provides an independent assurance which is essential in helping the WLWA achieve its corporate objectives. The plan is designed in line with the size of the organisation as it is relatively small with only 40 employees. It is a requirement of the Accounts and Audit (Amendment) Regulations 2021 that the Authority undertakes an effective IA to evaluate the effectiveness of its risk management, internal control, and corporate governance processes, taking into account public sector internal auditing standards or guidance.

This report provides the Audit Committee with:

- The Head of Audit Opinion for 2022/23.
- An overview of the WLWA's risk exposure and overall system of internal control.
- The work undertaken by internal audit in 2022/23.
- Review of the outcomes of key internal audit reports; and
- An overview of the performance of Internal Audit.

The three-year plan is designed to provide assurance over the key areas within the WLWA and its risk register and is suited for a small organisation. Management is consulted each year for input into the annual planning, so issues and concerns are discussed and possibly added to the planned work.

3. Reason for Decision and Options Considered

The Audit Committee is presented with details in the attached report.

4. Key Implications

Internal audit is an assurance function that provides an independent and objective opinion to the WLWA on the control environment comprising of risk management, control, and governance, by evaluating its effectiveness in achieving corporate objectives. It objectively examines, evaluates and report on the adequacy of the control environment as a contribution to the proper, economic, efficient, and effective use of resources. The assurance is based purely on the small programme of work set out in the 2022/23 Plan. As only a small number of audits are produced each year, we will look to build in other sources of assurance including potentially previous years.

5. Head of Audit Opinion

This report provides a summary of the work carried out by Internal Audit in the financial year 2021/22 and the results of that work as reported to the Audit Committee throughout the year. From the work undertaken during the year, my overall opinion the WLWA's system of internal control, governance and risk management is that:

Reasonable assurance can be given that there is a sound system of internal control, designed to meet the organisations objectives and that controls are applied consistently. For information, this compares with the 2021/22 opinion which was also reasonable.

Internal Audit performed audits on three areas, Abbey Road Processes, Procurement and Expenditure and HR and Payroll. Two of the three reports received Reasonable Assurance and one report received Limited Assurance. The assurance levels for each report are summarised in the table below:

Substantial	0
Reasonable	1. Abbey Road Processes 2. Procurement and Expenditure
Limited	1. HR and Payroll
Nil	0

The table below provides a guide to how assurance levels are defined.

<u>Assurance Level</u>	<u>Definition</u>
Substantial	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weakness in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
Nil	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

6. Internal Audit Performance

This table report provides a summary of all audits against the internal audit plan for 2022/23. The Health and Safety report was provided to Audit Committee in January 2022. The Income and Data/Management Information reports are also reported to this committee.

	Topic	Description/Indicative Scope	Assurance Status	Final Report to Audit Committee
1	Procurement and Expenditure	A review of procurement processes running through to actual expenditure.	Finalised (Reasonable)	June 2023
2	HR/Payroll (WLWA Side)	A review of HR and payroll controls operated by WLWA.	Finalised (Limited)	January 2023
3	Abbey Road Processes	To consider operational controls for the site and financial controls such as procurement cards, income and assets management.	Finalised (Reasonable)	January 2023

Follow Ups

The table below shows the progress made on the follow ups of recommendations raised in reports. The results are summarised as:

Follow-up of recommendations	Number	%
Number of high-risk findings	4	
Number of medium risk findings	7	
Number of low-risk findings	1	
Number completed	5	46%
Number in progress	2	18%
Not implemented	1	9%
Not yet due	3	27%

The table below shows the details of risk areas which have not yet been fully implemented:

	Report	Title of Recommendation	High, Medium or Low Risk	Agreed Implementation Date	Status
1	HR and Payroll	Missing Documentation / Non-Compliance	High Risk	31 st December 22. An extension was agreed to 31 st March 23 and then to the end of April 23.	The service recently transferred to a new line manager. They are reviewing the progress and have asked for a further
2	HR and Payroll	DBS and Qualification Checks	High Risk	31 st December 22. An extension was agreed to 31 st March 23	

				and then to the end of April 23.	extension to Dec 2023
3	HR and Payroll	Policies and Procedures	Medium Risk	31 st March 23	
4	Procurement and Expenditure	Formalising Contracts Delay	High Risk	30 th June 23	Not yet due
5	Procurement and Expenditure	Segregation of Duties	Medium Risk	30 th June 23	Not yet due
6	Procurement and Expenditure	Credit Card Checks	Low Risk	30 th June 23	Not yet due