

<b>Contains Confidential or Exempt Information</b>	No
<b>Title</b>	Annual Report on Internal Audits including Head of Audit Opinion and Performance Report.
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<b>For Consideration By</b>	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 2023/24.
- Agree the Internal Audit Charter at appendix A.

### 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 23 to Mar 24.

## 2. Background

This report outlines the performance of Internal Audit from Apr 2023 until March 2024 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 2023/24.
- An overview of the WLWA's risk exposure and overall system of internal control.
- The work undertaken by internal audit in 2023/24.
- 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 2023/24 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 2023/24 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 2023/24 opinion which was also reasonable.

Internal Audit performed audits on three areas, Residual Waste Contract, Income, Central Service (ICT). 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	1. Income
Reasonable	1. Residual Waste Contract (Excess Revenue Calculation)
Limited	1. ICT (Cyber)
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 2023/24. The Income report was provided to Audit Committee in January 2023. The income and ICT/Cyber are also reported to this committee.

	Topic	Description/Indicative Scope	Assurance Status	Final Report to Audit Committee
1	Residual Waste Contract	To review the Excess Revenue Share Calculation.	Finalised (Reasonable)	April 2024
2	Income	Key financial system – review of controls over income and debtors.	Finalised (Substantial)	August 2023
3	Central Services - ICT (Cyber)	This focus on ICT considering mitigation of cyber risk. This will also consider the new website and customer portal.	Finalised (Limited)	February 2024

### 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	1	
Number of medium risk findings	4	
Number of low-risk findings	3	
Number completed/largely implemented	3	75%
Number in progress	1	25%
Not implemented	0	0%
Not yet due	4	

The table below tracks the status of outstanding recommendations:

	Report	Title of Recommendation	High, Medium or Low Risk	Agreed Implementation Date	Status
1	HR and Payroll (2022/23 audit)	Policies and Procedures	Medium Risk	31 <sup>st</sup> March 23 now Sept 2024.	<p><b>Project Delay Due to Trade Union Availability</b></p> <p><u>Progress Update:</u>            Batch 1: Successfully signed off by Trade Unions            Batch 2: Currently under consultation. The final review by the Trade Unions is scheduled for 14th September 2024.            Final Batch: Consultation in progress, with the final Trade Union review date set for 25th September 2024.  <u>Delay Notice:</u></p>

					The general election in 2024 has impacted Trade Union availability, leading to delays in the consultation and sign-off process.
2	Cyber	Cyber Risks and IT Strategy	High Risk	30 <sup>th</sup> June 24, revised to 30 Sept 24	<b>Largely Implemented</b> Strategy completed and approved. Cyber tasks not yet due.
3	Cyber	Asset Inventory, Incident Response Plan and Contingency Plans	Medium Risk	30 <sup>th</sup> Sept 24	<b>Not due yet</b>
4	Cyber	Contract Performance	Medium Risk	30 <sup>th</sup> June 24 revised to 30 Sept 24	<b>Not due yet</b>
5	Cyber	Staff Education / Training	Medium Risk	31 <sup>st</sup> Dec 24	<b>Not due yet</b>
6	Residual Waste Contract - Excess Revenue Calculation	Transparency and Reconciliation is Documented.	Medium Risk	31 <sup>st</sup> Dec 24	<b>Not due yet</b>

## 7. Annual Review

### Quality Assurance and Independence

In line with the PSIAS, an annual self-assessment is undertaken against the PSIAS. This confirms the service generally conforms.

Independence – in line with the PSIAS and findings from the EQA, the Assistant Director Audit and Investigation confirms that the internal audit activity is organisationally independent.

### Policy Framework

The following policies have been reviewed:

**Internal Audit Charter** - a formal document describing the primary purpose of an internal audit, its right, obligations, reporting line, authority, and code of ethics that an internal auditor should have.

Attached as appendix A is a draft internal audit charter for the Authority.

### Horizon Scanning

Members of the Committee should be aware that the institute of Internal Auditors published [Global Internal Audit Standards \(theiia.org\)](https://www.theiia.org) on 9<sup>th</sup> January 2024 and these will become effective on 9<sup>th</sup> January

2025. It is, however, noted that the UK public sector standards setter the Internal Audit Standards Advisory Board (IASAB) have agreed that the implementation date for the public sector will 1 April 2025 to align with requirements of public sector governance. The IASAB confirmed that further work is still ongoing and there will be consultation later in the year.

We are reviewing the new standards and monitoring the work of the IASAB to respond to ensure we continue to comply with good practice. A briefing around the key changes will be provided to a future committee meeting.