

WAVERLEY BOROUGH COUNCIL

Annual Internal Audit Report 2015/2016

May 2016

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1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2016, the head of internal audit opinion for Waverley Borough Council is as follows:

Head of internal audit opinion 2015/2016

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the audit committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the board takes into account in making its annual governance statement (AGS).

1.3 Factors and findings which have informed our opinion

Based on the work we have undertaken on the systems of internal control, governance and risk management across the Council, we do not consider that there are any issues that need to be flagged as significant internal control weaknesses.

We did not issue any 'no assurance' (red) opinions.

We issued six 'partial assurance' (amber red) reports in the areas of:

- official orders,
- revenue premises visits,
- employee services,
- sheltered housing fire and legionella safety checks,
- information security governance,
- pest control fees and charges income

We raised 12 five high category management actions agreed which flagged issues in the following areas:

- Inability to provide approved case reports or other supporting documentation for grant applications in excess of £20,000 tested, as a result we were unable to verify Grant Panel had approved the transactions (disabled facilities grants)
- Sharepoint System capabilities are not being fully utilised as various departments are keeping alternative records to monitor purchase orders (official orders)
- Lack of evidence of obtaining the required number of quotations and failure to provide copies of official orders (official orders)
- Not all properties have been recorded on the Keystone property management system (housing asbestos follow up)
- The standard risk assessment scoring strategy has not yet been applied to all corporate properties on the Keystone database (housing asbestos follow up)
- The notes from each visit are effectively recorded three times; on the Inspection Report sheet during the visit, on to the system after the visit, and when the Inspection Report sheet is scanned in and attached to the property record electronically which involves duplication of input (revenue premises visits)
- The payroll provider generally does not respond to queries within 24 hours and there is no formal agreed procedure on how queries to the payroll provider are communicated, monitored and closed (employee services)
- There is no formal reporting structure to ensure that performance data regarding the objectives for the payroll provider as set out in the service level agreement is reported (employee services)
- A lack of operational procedures/guidance notes and a schedule for when tests/procedures should be completed held at sheltered housing sites (sheltered housing fire and legionella safety checks)
- Lack of checks and evidence to support discounts awarded to pest control customers (pest control fees and charges income)
- No comprehensive reconciliations of referrals made to ensure that where referrals have not been invoiced, there is a valid reason for this (pest control fees and charges income)
- Issues with reconciling referrals to invoices for pest control services (pest control fees and charges income)

We issued positive assurance reports for 16 reviews undertaken in 2015/16;

- sundry debtors,
- car parking phone payments,
- waste contract management,
- iTrent (leave recording and calculations),
- kitchen and bathroom (basket rates) review,
- sundry creditors,
- disabled facilities grants,
- rents debtors recovery process,
- council tax support,
- treasury management,
- mobile devices and remote working security,
- grants to other organisations,
- In-tend procurement portal,
- section 106 agreements,
- grounds maintenance contract and
- gas servicing contract performance.

We also completed a follow up review on housing asbestos where we concluded reasonable progress had been made in implementing the agreed management actions from prior years.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at Appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

The Council should consider the areas set out above where partial assurance was given over the control framework for official orders, revenue premises visits, employee services, sheltered housing fire and legionella safety checks, information security governance, pest control fees and charges income and new affordable homes when completing the annual governance statement, unless assurances have been gained internally over improvements in the highlighted areas of weakness since the audit reports were issued.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit recommendations

Management have agreed actions to address all of the findings reported by the internal audit service during 2015/2016.

2.2 Implementation of internal audit recommendations

Recommendation Priority	Number made in 2014/15	Of which:	
		Addressed	Not implemented or still in progress
High	10	9	1
Medium	66	65	1
Low	31	31	
Totals	107	105	2

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

- Issued local government sector updates and general briefings during the year;
- We prepared the internal audit strategy for 2016/17
- Attended an Audit Committee meeting to support the 2016/17 internal audit plan and strategy;
- Undertaken assurance reviews and also shared practice across the sector through our work;
- Made suggestions throughout our audit reports based on our knowledge and experience in the sector to provide areas for consideration;
- Completed ad hoc benchmarking requests and provided feedback; and
- Maintained regular contact with management and responded to queries.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2015/2016 that would lead us to declare any conflict of interest.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2011 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”. Work is in hand to arrange our next review.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.4 Performance indicators

The service performance during 2014/2015 is summarised below across a range of performance indicators. (C) Denotes that this is contractor related and (WBC) denotes Waverley related.

Delivery					Quality			
Calendar Days	Target	Actual Year 2015/16	Prev Year 2014/15	Prev Year 2013/14		Target	Actual	Notes (ref)
Average no. of days between Contractor exit meeting and the issue of Draft Report (C)	28	19	21	24	Compliance with CIPFA Code of Practice for Internal Auditing	Yes	Yes	
Average no. of days between the Contractor providing the report to WBC and WBC receiving the file.(C)	5	15	10	6	Extent to which External Audit place reliance on our work	Yes		Unknown
Average number of days between the IACM Exit meeting & obtaining management comments and the issuing of Final Report (WBC)	28	34	35	32				
Average number of days for Heads of Service to return report after signing. (WBC)	5	13	12	23				
Completion of audit plan by 31 st March (C)	100%	83%	82%	92%				

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions

The organisation has an adequate and effective framework for risk management, governance and internal control.

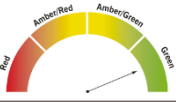

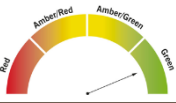


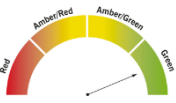
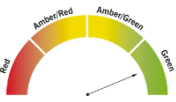



The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

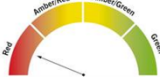

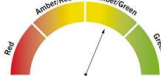
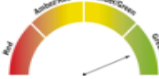
The organisation does not have an adequate framework of risk management, governance or internal control.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2015/2016

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Sundry Debtors	Head of Finance - Peter Vickers		0	2	6
Car Parking - Phone Payment	Head of Environmental Services – Richard Homewood		0	0	3
Waste Contract Management	Head of Environmental Services – Richard Homewood		0	0	0
iTrent (leave recording and calculations)	Head of Finance - Peter Vickers		0	2	5
Kitchen & Bathroom (Basket Rates) Review	Head of Housing Operations - Hugh Wagstaff		0	1	2
Sundry Creditors	Head of Finance - Peter Vickers		0	2	4
Disabled Facilities Grant	Head of Strategic Housing - Jane Abraham		1	2	2
Rents Debt Recovery Process	Head of Housing Operations - Hugh Wagstaff		0	0	3
Council Tax Support	Head of Finance - Peter Vickers		0	1	0
Treasury Management	Head of Finance - Peter Vickers		0	0	2
Mobile Devices & Remote Working Security	Head of Customer and Corporate Services – David Allum IT development Manager - Linda Frame		0	1	4
Official Orders (Draft Report Stage)	Head of Finance - Peter Vickers		2	1	2

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Grants to Other Organisations	Head of Community Service and Major Projects - Kelvin Mills		0	0	0
In-tend - Procurement Portal	Head of Finance - Peter Vickers		0	2	1
Section 106 Agreements	Head of Planning – Elizabeth Sims		0	1	1
Housing Asbestos Follow Up	Head of Housing Operations - Hugh Wagstaff	REASONABLE PROGRESS	2	7	7
Revenue Premises Visits (Final Report Stage)	Head of Finance - Peter Vickers		1	3	1
Employee Services	Head of Finance - Peter Vickers		2	4	1
Grounds Maintenance Contract	Head of Community service and major projects - Kelvin Mills		0	1	0
Gas Servicing Contract Performance	Head of Housing Operations - Hugh Wagstaff		0	2	1
Sheltered Housing Fire and Legionella Safety Checks	Head of Housing Operations - Hugh Wagstaff		1	4	0
Information Security Governance (Draft Report Stage)	Dan Bainbridge - Borough Solicitor SIRO		0	3	4
Pest Control Fees and Charges Income	Head of Environmental Services - Richard Homewood		3	0	0

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

None	Partial	Reasonable	Substantial
			
<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>	<p>Taking account of the issues identified, the Board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

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