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## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body 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.’*

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

*‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the County Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

## 2. Purpose of report

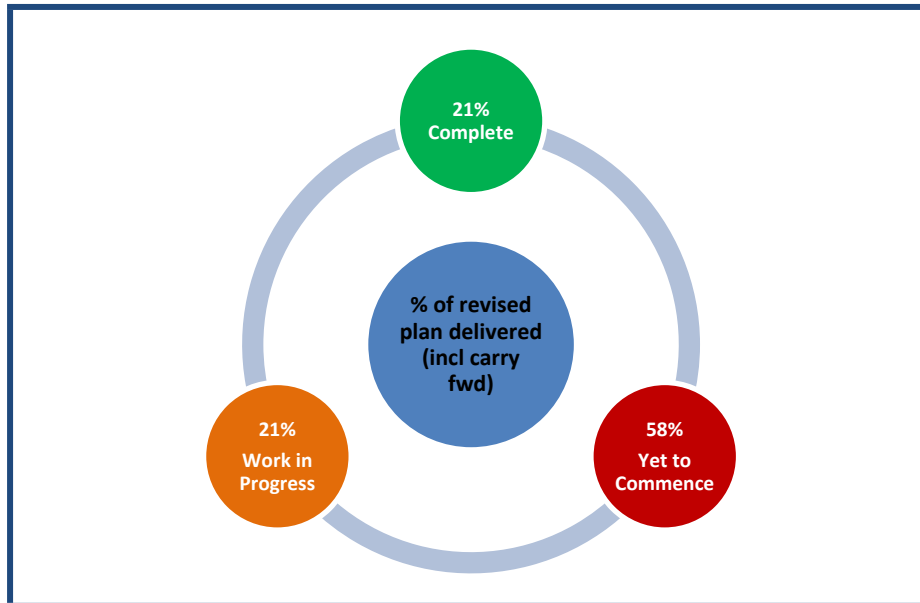
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Internal Audit Manager’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- Substantial** A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
- Adequate** Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
- Limited** Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
- No** Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

### 3. Performance dashboard



#### Compliance with Public Sector Internal Audit Standards



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Analysis of ‘Completed’ audit plan reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions					Priority		
				Total Rec's Reported	Not Accepted	Not Yet Due	Complete	Overdue	L	M	H
Management of water safety (Legionella)	08/08/2019	HOHO	Adequate	2	0	2	0	1	1		
Gas Safety Checks	08/08/2019	HOHO	Substantiate	0	0	0	0				
Management of Asbestos	08/08/2019	HOHO	Limited	9	0	7	2	1	2	6	
Reconciliations	06/09/2019	HOFP	Adequate	10	0	10	0	4	5	1	

Audit Sponsor	
<b>HOF&amp;P</b>	<i>Head of Finance and Property – Peter Vickers</i>
<b>HOP&amp;G</b>	<i>Head of Policy and Governance – Robin Taylor</i>
<b>HOCS</b>	<i>Head of Commercial - Kelvin Mills</i>
<b>HOES</b>	<i>Head of Environmental Services – Richard Homewood</i>
<b>CEO</b>	<i>Chief Executive – Tom Horwood</i>
<b>HOBT</b>	<i>Head of Business Transformation – David Allum</i>
<b>HOHO</b>	<i>Head of Housing Operations – Hugh Wagstaff</i>
<b>HOHD&amp;C</b>	<i>Head of Housing Delivery &amp; Communities - Andrew Smith</i>
<b>HOP&amp;ED</b>	<i>Head of Planning and Economic Development – Chris Berry (Interim)</i>
<b>SD Director/s</b>	<i>Strategic Director – Graeme Clark/Annie Righton</i>

**5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion**

<b>MANAGEMENT OF ASBESTOS</b>		
<p><b>Directorate Sponsor:</b></p> <p>Anne Righton</p> <p><b>Head Of Service:</b> Hugh Wagstaff head of Housing Operations</p> <p><b>Final Report Issued:</b></p> <p>8<sup>th</sup> August 2019</p>	<p><b>Assurance opinion:</b></p> <div style="text-align: center;"> </div>	<p><b>Management Actions:</b></p> <div style="text-align: center;"> </div>
<p><b>Summary of key observations where action is required:</b></p> <p><i>Not all properties had a management surveys completed and there was not a mechanism sufficient to follow up to ensure they were eventually included on the survey list over time.</i></p> <p><i>There is no formal mechanism in place to flag where properties previously found to have asbestos are re-inspected in line with the current risk ratings.</i></p> <p><i>The record keeping re updating the risk register regardless of actions or status of the survey by the surveying contractor needs improving.</i></p>		
<p><b>Key Observations</b></p>		
<p><b>Areas assessed to be working well/controls are effective</b></p> <ul style="list-style-type: none"> <li>• Management and operational responsibilities are clearly assigned to appropriate staff who are aware of their areas of responsibility.</li> <li>• An Asbestos Policy and Management Plan are in place which document WBC’s approach to the Management of Asbestos in properties for which it is responsible. Our review of the policy and plan confirmed that they are up to date, have been</li> </ul>		



approved appropriately and are available to all staff on the intranet.

- A current contract is in place with the contractor who carry out asbestos surveys on behalf of WBC. We confirmed that the contract has been signed by both parties.
- Our testing of a sample of 20 different types of acquisitions and disposals of housing stock confirmed that all were recorded promptly on the housing stock database. An annual reconciliation is carried out between Keystone and the Housing Asset Management System (Orchard) to ensure that the database is accurate and up to date.
- A monthly compliance report, which includes statistics around the management of asbestos, is produced by the Compliance Manager and presented to, and discussed with, the Operations Manager and Head of Housing Operations.
- Regular meetings take place between key staff at WBC and the contractor. Review of the minutes of these meetings confirmed that actions are clearly documented with responsibilities assigned and are followed up at subsequent meetings.

#### **Management Response / Update:**

Action will be taken to mitigate the risks materialising including:-

Full stock reconciliation of properties that were built prior to 1999 to ensure inclusion on the programme/asbestos register.

Where access to properties are an issue to enable a management survey to be carried out, occupiers will be contacted again and action, including legal action, will be taken to gain access to undertake the survey. Advice to be sought from WBC's Legal team in order to implement a no access process with Court proceedings.

The enhancement of the Asbestos re-inspection programme being added to the Keystone service inspection module will prompt re-inspections allowing for accurate reporting in order to monitor progress.

Improvements in record keeping re updates on surveys and archived actions with the objective to ensure that notes or references are recorded within all relevant system.

Communication methods will be improved to enable concerns to be recorded and actioned promptly in accordance with corporate policies.

Suite of Key Performance Indicators (KPI's) to be monitored monthly and discussed at Contract meetings.

## 6. Planning & Resourcing

The internal audit plan for 2019-20 was approved by the Audit Committee in March 2019.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Section 8 details the reviews that have been added to the original plan approved in March 2019. Progress against the plan is detailed below in section 7.

## 7. Rolling Work Programme

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
Recovery of debts (including Write Offs)	HOF&P	✓	✓	✓				
Payroll	HOP&G							
Main Accounting	HOF&P							
Reconciliations	HOF&P	✓	✓	✓	✓	✓	Adequate	
Construction Industry Scheme (CIS)	HOF&P	✓						
IT Fraud Risk Assessment	HOBT	✓						
Firewalls/Cloud Security	HOBT							
Agresso/Orchard Interface	HOF&P	✓						

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>Gas Maintenance in Waverley Properties</b>	HOHO	✓	✓	✓	✓	✓	Substantial	
<b>Legionella checks re Waverley Property Ownership</b>	HOHO	✓	✓	✓	✓	✓	Adequate	
<b>Asbestos Exposure in Waverley Properties (HRA and GF)</b>	HOHO	✓	✓	✓	✓	✓	Limited	
<b>Air Quality</b>	HOES							
<b>Housing Kitchen &amp; Bathrooms Replacement programme</b>	HOHO							
<b>Responsive repairs and voids – new contract</b>	HOHO	✓						
<b>Service Charges - Leasehold Flats</b>	HOHO	✓	✓					
<b>Private Sector Housing (HMO)</b>	HOHD&C	✓	✓					
<b>Disability Facilities Grants Private Sector Housing</b>	HOHD&C							
<b>Events and Filming</b>	HOCS							
<b>Borough Hall</b>	HOCS	✓	✓	✓				
<b>Vending Machines</b>	HOBT	✓	✓					

IT programme / Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Comment
<b>Payroll Accuracy</b>	<b>SD</b>	n/a	n/a	n/a	n/a	n/a	Advisory	
<b>Planning - Benchmarking exercise</b>	<b>SD</b>	n/a	n/a	n/a	n/a	n/a	Advisory	
<b>Planning Enforcement</b>	<b>HOP&amp;ED</b>							
<b>Community Infrastructure Levy</b>	<b>HOP&amp;ED</b>							
<b>Planning Housing Delivery Monitoring Process</b>	<b>HOP&amp;ED</b>							
<b>Ethics including Declaration of Interests</b>	<b>HOP&amp;G</b>							
<b>Property Investment</b>	<b>HOF&amp;P</b>							
<b>Management of major projects - lessons learned - Brightwells and Memorial Hall</b>	<b>SD</b>							
<b>Fraud and Irregularities</b>								
<b>Management</b>								

We use the following levels of assurance and prioritisations in our audit reports:

<b>Assurance Opinion</b>	<b>Framework of governance, risk management and management control</b>
<b>Substantial</b>	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
<b>Adequate</b>	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
<b>Limited</b>	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
<b>No</b>	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

<b>Management Actions</b>	<b>Current risk</b>
<b>High Priority</b>	A significant risk of; failure to achieve objectives; fraud or impropriety; system breakdown; loss; or qualification of the accounts by the organisation's external auditors. Such risk could lead to adverse impact on the organisation or expose the organisation to criticism.
<b>Medium Priority</b>	A serious, but not immediate risk of: failure to achieve objectives; system breakdown; or loss.
<b>Low Priority</b>	Areas that individually have no major impact, but where management would benefit from improved risk management and / or have the opportunity to achieve greater efficiency and / or effectiveness.

**8. Adjustment to the Internal Audit Plan**

Audit reviews removed from the plan	

Additional audit reviews added to the plan after approval by the March 2019 Audit Committee	
Planning Service VFM	SD
Assurance on Payroll Accuracy	SD