



ANNUAL INTERNAL AUDIT REPORT AND OPINION 2019-20

Contents

Section	Page
1. Role of Internal Audit	3
2. Internal Audit Approach	4
3. Internal Audit Opinion	5-6
4. Internal Audit Coverage and Output	7-9
5. Key Observations	10
6. Anti Fraud and Corruption	10-11
7. Quality Assurance and Improvement	11
8. Disclosure of Non-Conformance	12
9. Quality control	13
10. Internal Audit Performance	13
11. Acknowledgement	14

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 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. Internal Audit Approach

To enable effective outcomes, internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Internal Audit Manager and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisations success;
- risks inherent in the achievement of objectives; and
- level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.

3. Internal Audit Opinion

The Internal Audit Manager is responsible for the delivery of an annual audit opinion and report that can be utilised by the Council to inform its Annual Governance Statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.



In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given I have based my opinion on:

- written reports on all internal audit work completed during the course of the year;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of Waverley's audit need that has been covered within the period

Annual Internal Audit Opinion 2019-2020

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Waverley Borough Council's internal control environment.

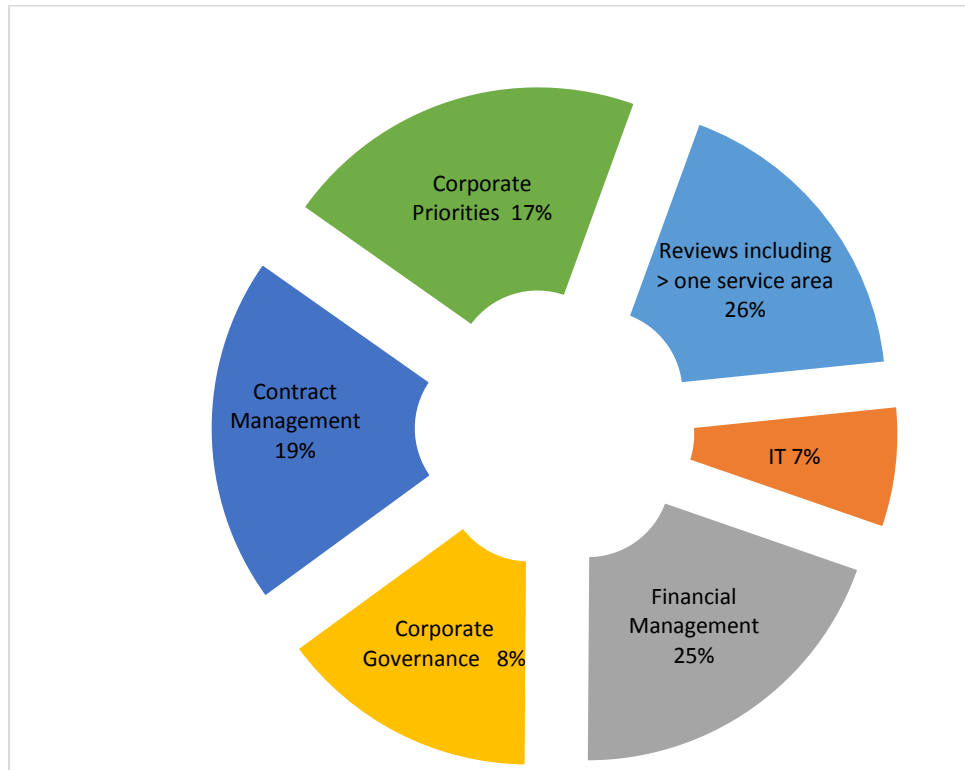
In my opinion, Waverley Borough Council has an adequate and effective framework for risk management, governance and internal control. However, the internal audit work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.

Percentage of Types of Reviews



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2019-20 Internal Audit Plan approved by the Audit Committee in March 2019, was informed by internal audit's own assessment of risk and materiality. In addition to consultation with management to ensure it aligned to key risks facing the organisation.

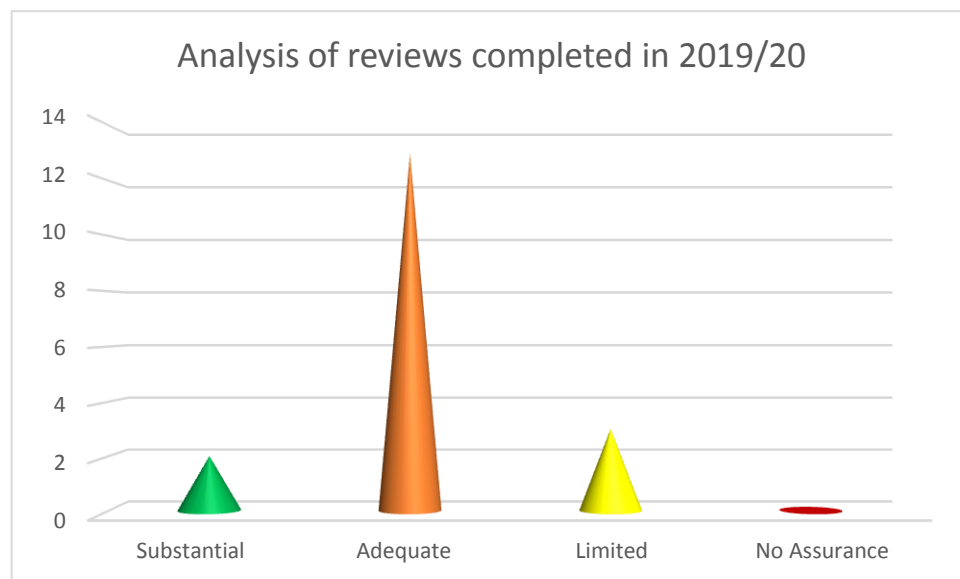
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion the Internal Audit Service have undertaken 22 reviews during the year ending 31 March 2020.

The 2019-20 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete and an opinion has been formed for 22 reviews. This includes 4 advisory reviews which did not culminate in an audit opinion as they relate to work conducted in respect of advisory reviews on the systems in operation and actions were raised where necessary.

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) is defined as follows:



Substantial - A sound framework of internal control is in place and 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 (es) identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk; or

No Assurance - Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

5. Key Observations

There were no ‘No Assurance’ opinions issued during the year. In general, internal audit work found there to be a sound control environment in common themes identified that provide challenge to the organisations risk environment and contributed to a number of ‘Limited assurance’ reviews. A summary of the issues raised is provided below:

Management of Asbestos – Improvements were identified relating to the reviewing and updating of policies and procedures, increasing the utilisation of the Housing Orchard system to ensure that all documentation is retained in one place, parameters in the system are reviewed and checked independently of the operational activity with the monitoring and reporting of timeframe activity.

Recovery of Debts – This review highlight areas that are required to enhance the retention of evidence of the action taken before an item is proposed for write off. When completed the reason for write off should also be retained.

Firewalls – The review identified areas of improvement to enhance the operational requirements for firewalls relating to the documentation retained to support changes made to the Firewall.

6. Anti-Fraud and Corruption

The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services.

A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Policies and strategies are in place setting out the Council’s approach and commitment to the prevention and detection of fraud or corruption.

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (including Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).

Counter-fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years).

As a member of the Surrey Counter Fraud Partnership, we work in collaboration as a partnership to share ideas and to implement strategies to raise awareness including a publicity campaign on tenancy fraud and provide opportunities for member of the public to raise concerns.

7. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015.

In considering all sources of evidence the external assessment team concluded:

“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards

(PSIAS); and the Local Government Application Note (LAGN).

There are no instances across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”

In accordance with PSIAS, annual self-assessments have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that

‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.

9. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2019-20 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;

- A tailored audit approach using a defined methodology and assignment control documentation, including checking and signing off documents;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service, these were previously agreed with the Audit Committee and formed part of the contract with the internal audit contractor who completed the work in 2019/20.

Annual performance indicators *New contractor		
Aspect of service		2019-20 Actual (%)
Revised plan delivered (including 2018/19 c/f)		97
Positive customer responses to quality appraisal questionnaire **		98
Compliant with the Public Sector Internal Audit Standards		Yes

**Customer satisfaction has been assessed through response to questionnaire issued to a wide range of stakeholders including senior officers and the Audit Committee.

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout Waverley Borough Council with whom we have made contact in the year. The relationship has been positive and management were responsive to the comments made both informally and through our formal reporting.

Gail Beaton

Internal Audit Manager
July 2020