



ANNUAL INTERNAL AUDIT REPORT AND OPINION FOR 2020-21

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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, considering 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 operation. 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 2020-2021

“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’s framework of governance, risk management, governance and internal control is ‘adequate’ and audit testing has demonstrated controls to be working in practice.

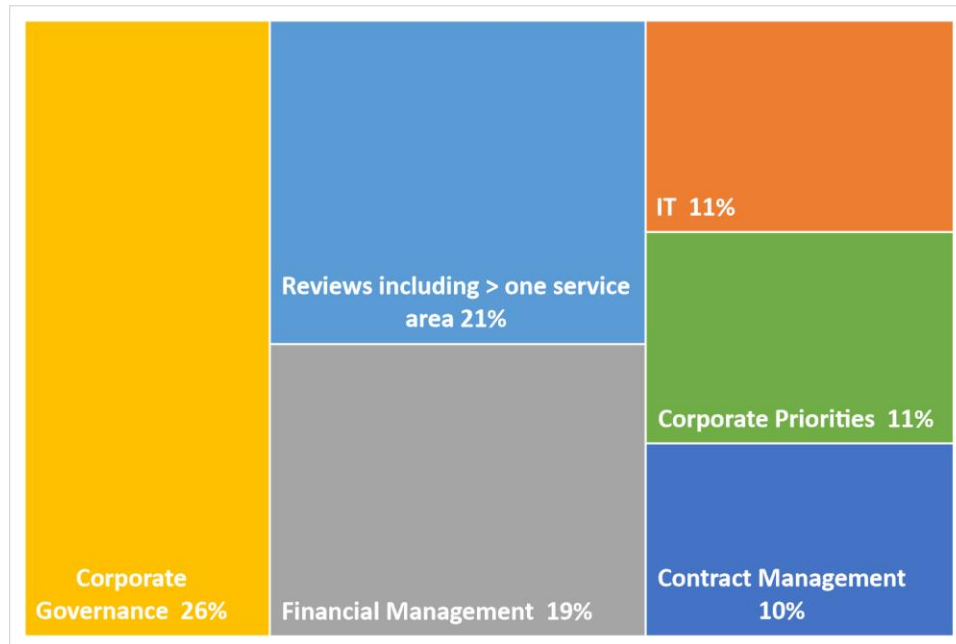
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

It is acknowledged that Covid-19 presented new risks and challenges to maintain the normal operation of existing risk management, governance and control frameworks.

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 2020-21 Internal Audit Plan approved by the Audit Committee in March 2020, was informed by internal audit's assessment of risk and materiality. In addition to consultation with management to ensure it aligned to key risks facing the organisation.

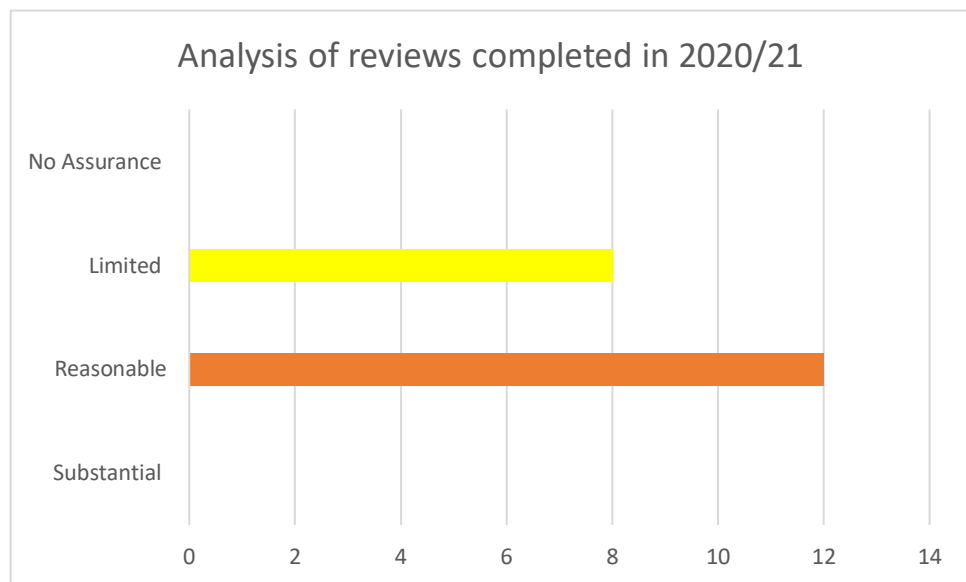
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion the Internal Audit Service have undertaken 20 reviews during the year.

The 2020-21 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete and an opinion has been formed for 20 reviews. One advisory review was completed 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. Another advisory review was started but has been delayed in being completed due to other priorities by the Internal Audit Manager.
- The reviews detailed in section 5 below are those reviews currently provided with 'limited' assurance (include 2 at Draft report stage).

I do not consider these exceptions to have an adverse impact on the delivery on the 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 system of governance, risk management and controls exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No Assurance - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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 place across a majority of review areas that were working effectively to support the delivery of corporate objectives, however there were some areas identified that provide challenge to the organisations risk environment and were given a “limited’ assurance:

Decant and demolition of council homes – Improvements were identified relating to the reviewing and updating of policies, sign off of programme milestones, highlight reports progress reports, checks on home loss payments and the terms of reference for the Ockford Ridge Programme Group.

Financial element of Exacom – highlighted that the interface between the Exacom system and Agresso requires improvement relating to demand notices, notification of income received through Agresso to Exacom and reconciliation between both systems.

Compliance monitoring for council owned buildings – Areas identified where improvements are needed include; Statutory Risk Assessments; performance indicators or comparison reporting; centralisation of records, formal approval of policies and contractor confirmation re guidance updated re covid secure compliant.

Procurement levels with suppliers – contract register maintenance and compliance re contract, value exceeded, procuring of Agency staff, market testing, procurement strategy development, compilation of performance indicators, waiver register and cyclical reporting.

Safeguarding – Areas of improvement have been identified including monitoring mechanism of cases, reporting and changes to terms of reference. An action plan has been developed to address these areas.

Service Charges for Leaseholder Properties – This review highlighted the need for reliance on accurate information being recorded on the Orchard system to enable costs relating to leaseholder properties to be accessible and identified as relating to the relevant communal blocks. Recharging for costs to be completing in accordance with the lease agreement timeframes.

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). Work has commenced on the matches we have received, and progress will be monitored.

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 2020. Include new assessment re report provided.

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 2020-21 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, the first 3 were previously agreed with the Audit Committee and formed part of the contract with the internal audit contractor who completed the majority of the work in 2020/21. The last 2 have been reintroduced as suggested at the last Audit Committee when this Annual Report was reported last year.

| Annual performance indicators | | |
|--|-------------------------|---|
| Aspect of service | 2019-2020 Actual (%) | 2020-2021 Actual (%) |
| Revised plan delivered (including 2019/20 c/f) (C) (Target 100%) | 98 |  96 |
| Positive customer responses to quality appraisal questionnaire ** (Target 90%) | 99 |  96 |
| Compliant with the Public Sector Internal Audit Standards | Yes |  Yes |
| Average no. of days between Contractor exit meeting and the issue of Draft Report to WBC (Target 28 Days) (C) | New | 41 Days |
| Average number of days between the contactor issuing Draft report for WBC management agreed actions and the uploading of Final Report to Pentana (Target 28 Days (WBC)) | New | 26 Days |

**Customer satisfaction has been assessed through response to questionnaire issued to a wide range of stakeholders including senior officers and audit committee members involved in the Internal Audit process throughout the year.

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 this difficult 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
September 2021