



**Annual Internal Audit Report & Opinion  
2021-2022**

**Annexe 1**

**Prepared by: Gail Beaton  
May 2022**

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## 1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

*‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 organisation’s 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 provides 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.

As the Internal Audit Manager I determine the approach to each audit, and in conjunction with the contracting team (SIAP) apply our professional judgement considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- 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.



Our contractor, the Southern Internal Audit Partnership (SIAP), who fulfil the majority of the Internal Audit Plan, maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

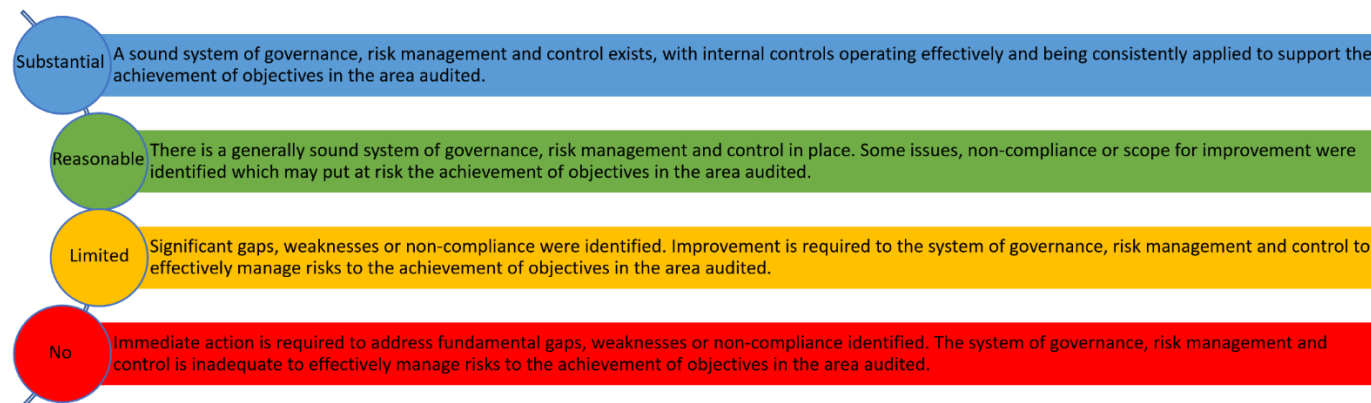
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

### 3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2021-22 internal audit plan was considered by the Audit Committee in March 2021. It 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 and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the S151 Officer and endorsed and detail to the Audit Committee in the internal audit progress reports which were reviewed at each meeting.

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. The assurance opinions are categorised as follows:



## 4. Internal Audit Opinion

As Internal Audit Manager, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' 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 (assurance & consultancy);
- 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 the Council's audit need that has been covered within the period.

The contractors enjoy an open and honest working relationship with the Council. The planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2021-22 financial year.

### Annual Internal Audit Opinion 2021-22

**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 the internal control environment.**

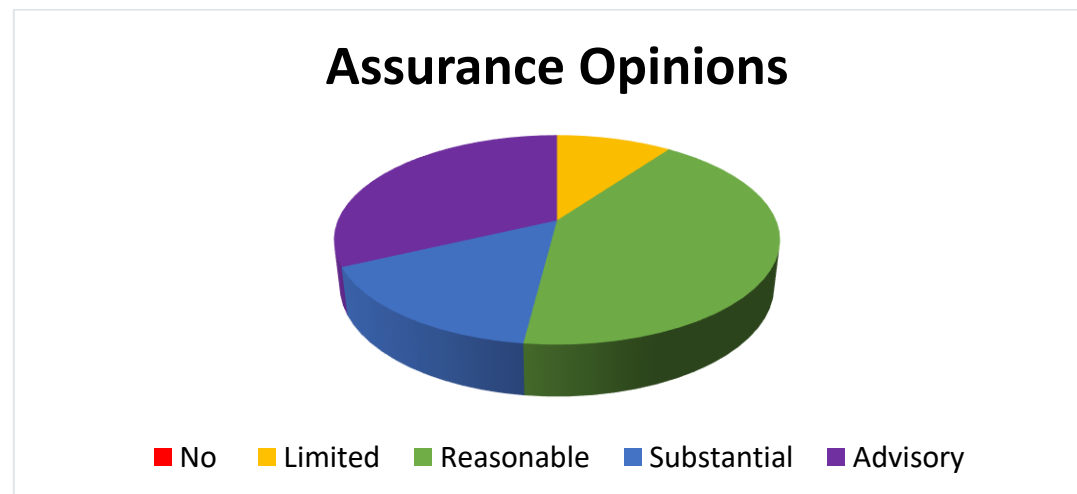
**In my opinion frameworks of governance, risk management and management control are 'Adequate' and audit testing has demonstrated controls to be working in practice.**

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

## 5. Governance, Risk Management & Control – Overview & Key Observations

### Assurance opinions for 2021-22 reviews

The findings from our reviews have been reported to the Audit Committee throughout the year and a summary of the assurance opinions is outlined below. None of the reviews carried out during 2021/22 resulted in a 'no assurance' rating. Those shown as 'Advisory' are those reviews that are generally completed by the Internal Audit Manager at the request of services managers or senior management where internal audit input is required to complete an Internal Audit assessment of the system in operation. This year also included in the 2021/22 plan input from SIAP IT specialist to complete an Audit IT Needs assessment to inform future IT system reviews and another relating to payroll which were also advisory reviews.



## *Key Observations*

In general, internal audit work found there to be a sound control environment in place across the 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, a summary of the issues raised can be found in Annexe1 to this report for those reviews assessed with assurance opinions of Limited, Reasonable and Substantial.

## *Governance*

### *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 but not limited to Counter Fraud Strategy, Policy and Fraud Response Plan 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.



## Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2021-22 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed, as a result of each review, are monitored facilitating the use of the Pentana system, to completion to ensure that the identified risks and issues are addressed.

## Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is reported to the Audit Committee throughout the year through the quarterly internal audit progress reports.

## 6. Quality Assurance and Improvement

The Standards require that providers of Internal Audit Services including our contractors Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (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 provision for 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 2020.

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

*'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'*

## 7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through 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.

## 8. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2021-22 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.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

## 9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual 2021-22
Percentage of internal audit plan delivered	95%	98%
Positive customer survey response		
● Waverley Borough Council	90%	100%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant
Average no. of days between Contractor exit meeting and the issue of Draft Report to WBC (C)	30	29
Average number of days between the contactor issuing Draft report for WBC management agreed actions and the uploading of Final Report to Pentana (WBC)	30	45

*\*\*Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2022).*

## 10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we (Internal audit Manager and Southern Internal Audit Partnership) have made contact in the year. Our relationship has been positive, and management were responsive to the comments made both informally and through our formal reporting.

Gail Beaton  
Internal Audit Manager

May 2022

## Annexe 1

## Summary of Audit Reviews Completed 2021-22

**Substantial** A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Review area	Summary
<b>Post Payment Business Grant compliance</b>	There were no actions identified. Key observations assessed as working well included identifying those businesses eligible for grants, signposting them to the relevant areas, presented clearly eligibility criteria. Verification of eligibility was in place before payment were made, including obtaining Bank Statements re going concern, banks details check. Controls in place re logging those that received grants, those that were unsuccessful and why. Report were provided to the Central Government and reconciliations were completed.
<b>Treasury Management</b>	This review identified an improvement to ensure storage of investment information is held in a central area on the server. Key observations assessed as working well includes investments were clearly documented and decision making recorded. Monthly reconciliations were in place, and daily bank statement position to monitor funds available for investment, Access levels are set as agreed by the Strategic Director. Quarterly dash boards are presented to members and scrutiny committees.
<b>Gas Safety Certificates</b>	There were no actions identified. Gas safety certificates were present for the sample tested and had been provided by the contractor to Waverley for inclusion in the Keystone system record.

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.

Review area	Summary of actions
<b>Responsive Repairs</b>	Roles and responsibilities to be defined, produced, agreed and issued to staff. Scripts to be documented, produced, and issued to make decision making less subjective. Develop capture of price variations in new contract. Obtain accurate information to ensure all SOR included on order. Minimum value level to be considered.
<b>Housing Rent recovery</b>	Rent Account procedures to be reviewed and revised. Automated letters relating to repayment agreement for debt functionality to be rectified with the software supplier. be
<b>New Planning System Horizon Planning System</b>	This review focused on the functionality of new software system to ensure that the key elements of the planning system was operating and effective controls were in place. Actions have yet to be defined as this report is in draft report status.
<b>Debt Management</b>	Debt Management policies to be reviewed and revised, retain in central Finance area of the WBC intranet. Authority of officers will be clearly documented in the Financial Regulations re Writeoffs. Debt monitoring information will be improved and where debt suppression occur a monthly report will be generated.
<b>Climate Change Preparedness</b>	Actions as outcomes of the Climate Emergency Officers group will be summarised within the minutes and followed up at each meeting. Review of timescales will be carried out. Consideration to be given to the changing of the name of the plan to Delivery plan or Delivery programme rather than the Carbon Neutral Action Plan.
<b>Planning Housing Delivery</b>	This review focused on the compilation of the data relating to the Housing Delivery return and results communicated to members and government agencies. Actions have yet to be defined as this report is in draft report status.
<b>Corporate Criminal Offence</b>	Tax Strategy is in place and agreed by Executive, its covers background, controls and current arrangements.
<b>Health &amp; Safety</b>	This review covered the framework around Health & Safety policies, roles and responsibilities, application of the policies. Actions have yet to be defined as this report is in draft report status.

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.

Review area	Summary
<b>Lone Working</b>	Highlighted that actions were required relating to:- Training for staff, maintain the register, data quality and volume of data recorded, accuracy of contact details recorded within StaySafe. Consistent application of related policies. Completeness and retention of information including Lone Working Risk Assessment.
<b>Waste Management (Bin Stocks &amp; Store Controls and missed bins</b>	Highlight that actions were required relating to:- Improvements in stock records re issued/received and balance remaining. Contents of the contract by both parties, in relation to missed bin extra collections required. Formalising the partnership approach.