



**Annual Internal Audit Report & Opinion  
2022-2023**

**APPENDIX 1**

V1.2

**Prepared by: Gail Beaton**

**June 2023**

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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.

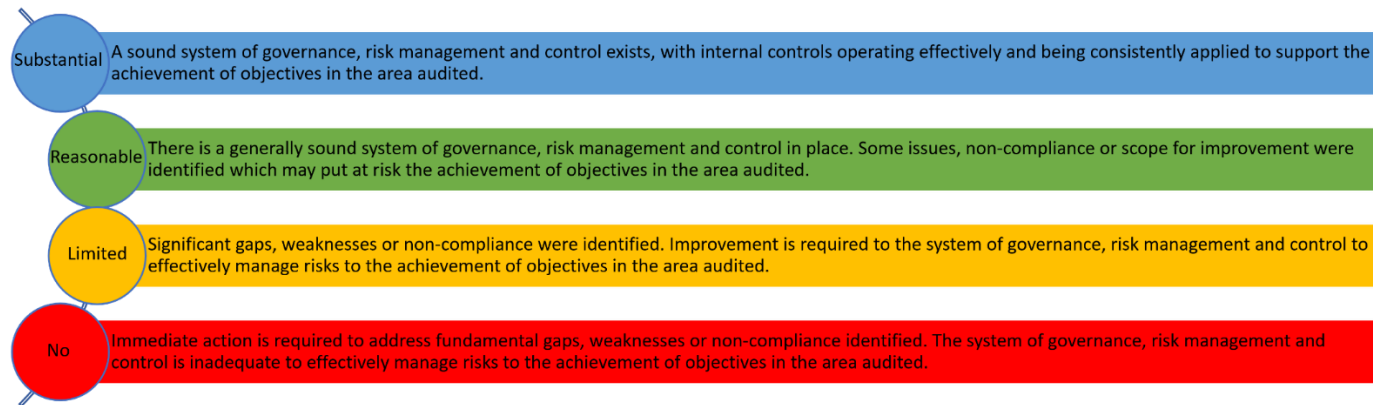
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the 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 2022-23 internal audit plan was considered and endorsed by the Audit Committee in March 2022. 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. This years plan completion has provided challenges in the completion of Audit reviews as the Senior Management Team responsibilities were realigned as part of forming a Joint Management Team with neighbouring authority Guildford Borough Council.

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 2022-23 financial year.

### **Annual Internal Audit Opinion 2022-23**

**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 Councils internal control environment.**

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

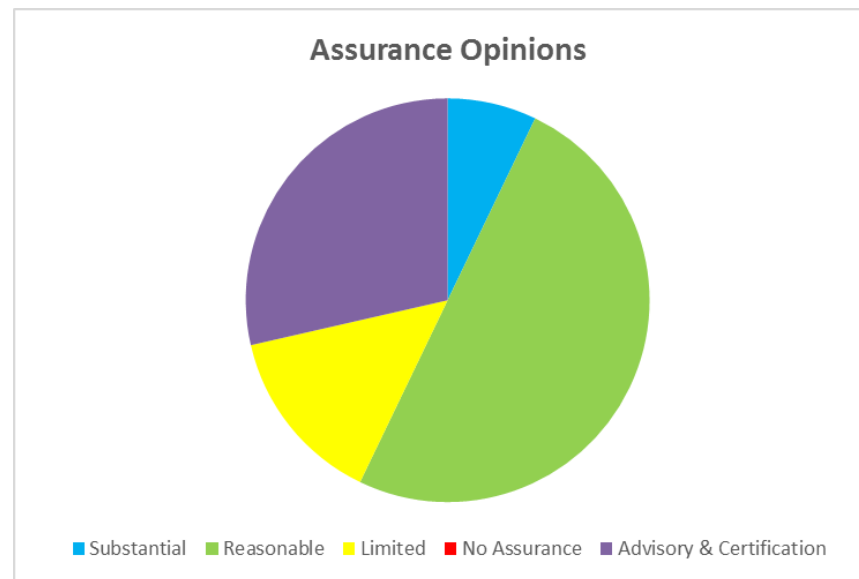
**Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.**

## 5. Overview & Key Observations

### Overview - Assurance opinions for 2022-23 reviews

The findings from the reviews completed in 2022-23 have been reported to the Audit Committee throughout the year and a summary of the assurance opinions is outlined below. Of the those reviews completed to final stage during 2022/23 resulted in no reviews providing 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.

The assurance opinion chart below graphically illustrates the assurance opinions obtained in 2022-23 this also includes 2 reviews which although procured in 2021-22 did not meet the timeable for the 2021-22 Annual Report.





## ***Key Observations***

In general, internal audit work found there to be a sound system of governance, risk management and control across the majority of areas reviewed.

No reviews have been concluded with a 'No Assurance' audit opinion however two reviews were concluded with 'Limited Assurance' are summarised below:-

## ***Risk Management***

The responsibility for risk management at a corporate level as been assigned to the Executive Head of Organisational Development as part of the Joint Management Restructure with Guildford Borough Council. Therefore, the observations made by the auditors as part of this review will inform the future plans for the Risk Management process across both councils, although this will be dependent on the decisions made on the way forward on the collaboration. The review highlighted that although corporate risks were identified and managed, both the operational and corporate risks were not sufficiently recorded, monitored or reported to those charged with the responsibility for governance, the Audit Committee frequently enough.

## ***Refund Process***

The review focused on the refund process in operation in the Revenues Team for Business Rates (NNDR) and Council Tax (CTax). It was identified that although refunds had been processed in accordance with the training provided, however these processes were not all documented to provide consistency of application. System enhancements were suggested to access profiles, retention of documentary evidence to support clear identification of separation of duties are in existence and that authority levels are not exceeded.

## 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).

The council also has a dedicated Housing Tenancy Fraud Investigation Officer who deals with housing fraud related investigations, reports are provided to the audit committee twice a year on the activity and outcomes of this work. In 2022-23, 10 properties were recovered and enabled 10 households to obtain a property and then be removed from the housing waiting list.

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.

In addition, we have assessed and where appropriate, advised, investigated or supported the investigation of any allegations of fraud, corruption or improper practice. In accordance with the Local Government Transparency Code 2014 the details of internal audits involvement in counter fraud work is summarised below:

### **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 2022-23 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 (International Professional Practice Framework) 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 2022-23
Percentage of internal audit plan delivered	95%	%
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	30
Average number of days between the contactor issuing Draft report for WBC management agreed actions and the uploading of Final Report to Pentana monitoring software (WBC)	30	17

*\*\*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 2023).*

## 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

## Annexe 1

## Summary of Audit Reviews Completed 2022-23

**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>Fees and Charges</b>	This review focused on providing assurance that is in place to ensure that fees and charges set by the council are accurately reflected on public facing media and fees collected are accurate.

**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>Business Transformation</b>	<p>In order to maintain full transparency, there would have been merit in formally reporting to members at the outset the anticipated resources, goals, methodology and timeline required for targeted delivery of the Business Transformation.</p> <p>Work relating to the programme and reporting into the Business Transformation Board was suspended in February 2022 pending the next stages of the collaborative partnership between Guildford and Waverley Borough Councils. The last reported dashboard from January 2022 confirmed that four of the 10 projects were fully complete. In this respect Transformation</p>



	<p>Programme targets will need to be revisited and potentially reset together with a new work schedule and possible new governance arrangements for the BT team.</p> <p>The Terms of Reference for the current Business Transformation Board were repurposed from a previous 'Customer Services' project board and are generic in nature. There is merit here for further detail and clarity particularly around responsibilities, risk management and accountability going forward. It is anticipated that future governance changes relating to the collaborative working with Guildford Borough Council will also drive amendments and updates to this document.</p>
<b>Revenues Open Portal</b>	<p>The OpenPortal website went live in January 2022 and due to the current influx of new business processes since then, data is not currently monitored to analyse and report on business efficiency benefits.</p> <p>Out of 18 customer emails received over three months (04/06 to 28/08), 12 messages had not been responded to, of which four had not been responded to after a second email query.</p> <p>Response time official commitment for customer email queries is currently 14 days.</p>
<b>Cyber security Protection Measures</b>	<p>The review highlighted improvements required relating to password policy, completed Cyber Security Incident Response Plan, internal role changes notified to IT, VPN access, remote access, access to third parties, strategies and policies re protective monitoring, monitoring of shares/disk volumes, cyber security events outside of core business hours and more frequent review of Domain Admin accounts.</p>
<b>Creditors</b>	<p>The review highlighted improvements required relating procedure notes, purchase orders are being raised retrospectively, Vat invoice , and the review of Supplier Masterfile.</p>

<b>Homes for Ukraine</b>	The review highlighted improvements required including due diligence authentication checks, home checks and Welfare visits.
<b>Date Storage</b>	The review highlighted improvements required including, IT data backup backup policy, testing and restoration of backed up systems, files or databases, password strength server room access and automated email reports..
<b>Main Accounting</b>	The review highlight improvements required in relation to XX

**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 of Actions
<b>Revenues Refund Process</b>	Personal refund limits should be set for all staff involved in the process. Refunds over £2,500 were not consistently documented. Approval of refund process needs to be documented. System control improvements re enforced authorisation levels. Verification of bank account details provided on emails or letters, or checks on the process if bank accounts have been closed. Timescales for processing refunds are not defined. Evidence of reviewer of procedures should be detailed on the procedure notes. Current refund policy only applies to council tax, this needs to be rectified.
<b>Risk Management</b>	Risk Management policy & Strategy requires reviewing. Risks need to be revised to ensure that they are not the converse of the objective. A log of risk movement should also be maintained. Discussions with senior management or any other operational corporate governance group on

	the Risk register needs to be documented. Heat maps to be reviewed to ensure consistency is applied and reported. Risk Management training to be provided to all staff.
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