



cw audit services

## **Oadby & Wigston Borough Council**

Annual Internal Audit Report 2014/15  
June 2015

Getting value from your service

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# 1 Introduction

This annual report provides my opinion (see section 2) as the Head of Internal Audit to Oadby & Wigston Borough Council. It also summarises the activities of Internal Audit for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015.

The Council is required by law (Accounts & Audit Regulations 2011) to maintain an adequate and effective system of internal audit of its accounting records and internal control systems in accordance with proper internal audit practices. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance, to support the Annual Governance Statement, (AGS), setting out:

- An opinion on the overall adequacy and effectiveness of the organisation's control environment ;
- Disclose any qualifications to that opinion, together with the reasons for that qualification;
- Present a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances;
- Draw attention to any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS);
- Consider delivery and performance of the Internal Audit function against that planned;
- Comment on compliance with these Standards and the results of any quality assurance programme.

The Council should consider my opinion, together with management assurances, its own knowledge of the organisation and assurances received throughout the year from other review bodies (such as External Audit) when producing its AGS.

My opinion takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year. An internal audit plan was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. **A summary of the work we have performed and delivery against the plan is provided in section 3.**

Alongside the delivery of the operational internal audit work, we have met regularly with Council management to ensure any issues regarding our performance could be highlighted and any necessary action taken to resolve these. Following each audit, management are also requested to provide feedback on the service received. No significant issues or concerns regarding the internal audit service have been raised to date.

## 2 Annual Head of Internal Audit Opinion

### Roles and responsibilities

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit provides an independent and objective opinion to the organisation on the control environment and plays a vital part in advising the organisation whether these arrangements are in place and operating correctly.

The Annual Governance Statement (AGS) is an annual statement by the Leader and Chief Executive, that recognises, records and publishes an authority's governance arrangements.

In accordance with PSIAS, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Policy, Finance and Development Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below. The Head of Internal Audit's role is also covered by the CIPFA Guidance on the Role of the Head of Internal Audit; we consider we comply substantially with the content of this Guidance.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. As such, it is one component that the organisation takes into account in making its AGS.

### The Head of Internal Audit Opinion

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;

My **overall opinion** is that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

The **basis** for forming my opinion is as follows:

1. An initial assessment of the design and operation of the underpinning risk management framework and supporting processes; and
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

## 3 Work undertaken during the year

### Summary of assurances provided

During the course of the year we have conducted work to provide assurance over financial, governance and operational systems. Appendix One summarises the assurance levels we have given.

### Delivery of the plan

An internal audit plan for 2014/15 was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. To achieve this our internal audit plan was divided into two broad categories; work on the financial systems that underpin your financial processing and reporting and then broader risk focused work driven essentially by principal risk areas that had been identified in your risk register. A summary of work undertaken is included below:

- During the year we have undertaken reviews of your core financial systems (including financial management, general ledger and financial transactions) and given significant assurance with regard to the management of risk in these areas.
- We have undertaken a number of pieces of work on areas of principal risk. In general we have been able to conclude that these systems are robust and operate in a good control environment.

It is my view, taking account of the respective levels of assurance provided for each audit review, an assessment of the relevant weighting of each individual assignment and the extent to which agreed actions have been implemented, that you have a generally sound system of internal control.

However, we have highlighted during the year Significant Internal Control Issues that we consider would require disclosure within your AGS. These are set out below:

- Street Cleaning/Grounds Maintenance – this review provided ‘limited assurance’ and highlighted a number of areas for improvement in managerial processes and controls to ensure the effective and efficient delivery of these services.
- Void Housing Property Repairs – this review provided ‘moderate assurance’ and highlighted a number of control improvements needed, the key areas relating to inadequate monitoring of void spend and lack of reporting and monitoring of void turnaround performance.
- 2013/14 review on Health & Safety - this review reported in June 2014 provided ‘limited assurance’ and highlighted issues relating to health and safety policies, risk assessments, training and corporate support.
- 2013/14 review on Payroll & Expenses – this review reported in June 2014 provided ‘limited assurance’ and highlighted the following key areas:
  - There is no signed SLA with the payroll provider. Further, the current unsigned agreement makes no reference to the monitoring of performance by the service provider.
  - There is no independent reconciliation of the payroll to Human Resources Establishment Lists.
  - Instances of non compliance with payroll procedures
  - There is no periodic production and review of control and exception reports.
  - Checks are not undertaken to confirm the completeness and accuracy of the payroll before it is released.

Management has since provided assurances – through our recommendation tracking process – that all due agreed actions have been implemented. See the note below further in relation to payroll.

In relation to Significant Internal Control Issues that we referred to in our 2013/14 HoIA opinion, with regard to Housing Responsive Repairs our follow up in late 2013/14 noted that certain areas still needed to be dealt with; we reported again to management on this matter and revised actions and timescales for action were agreed. Management has since provided assurances – through our recommendation tracking process – that all due agreed actions have been implemented. Our planned review on this matter for 2014/15 has been deferred into 2015/16 at management request.

We also noted in our 2013/14 opinion that “recent reviews on Health & Safety and on Payroll and Expenses have highlighted some potentially significant matters; formal reports on these subjects have not yet been agreed with management, however. Any Significant Control Issues arising will be reported in due course.” Subsequently internal audit reports giving ‘limited assurance’ opinions were agreed with management and action plans put in place by management to address the areas highlighted. Further detail is given above. Our planned payroll review for 2014/15 has been delayed at management request to June 2015 at the earliest and accordingly is not



complete, thus we are unable to give a revised assurance opinion on this system following the 'limited assurance' opinion provided in 2013/14.

We would also note that several other planned reviews have been delayed at management request or deferred and included in the 2015/16 internal audit plan and we have accordingly not reflected an assurance opinion on these reviews in this annual opinion report. Given the delivery of the bulk of the work planned for 2014/15, covering a range of fundamental control systems we do not consider that this prevents or impacts significantly on the provision of our annual opinion.

### **Third party assurances**

In arriving at our overall Annual Head of Internal Audit Opinion, we have not sought to place reliance on any third party assurances.

### **Following up of actions arising from our work**

All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our independent follow-up reviews where this is deemed necessary (for example following the issuance of a limited or moderate assurance report). A summary of the recommendation tracking results for the 2014/15 year is included as Appendix 2 to this report. The status shown in Appendix 2 reflects management's self-assessments and does not imply that we have verified all of the statuses shown.

In addition elements of our work involve annual coverage of key areas of control for the organisation, such as in relation to key financial systems, and in such cases we also routinely follow up previously-agreed actions at each review.

### **Closing remarks**

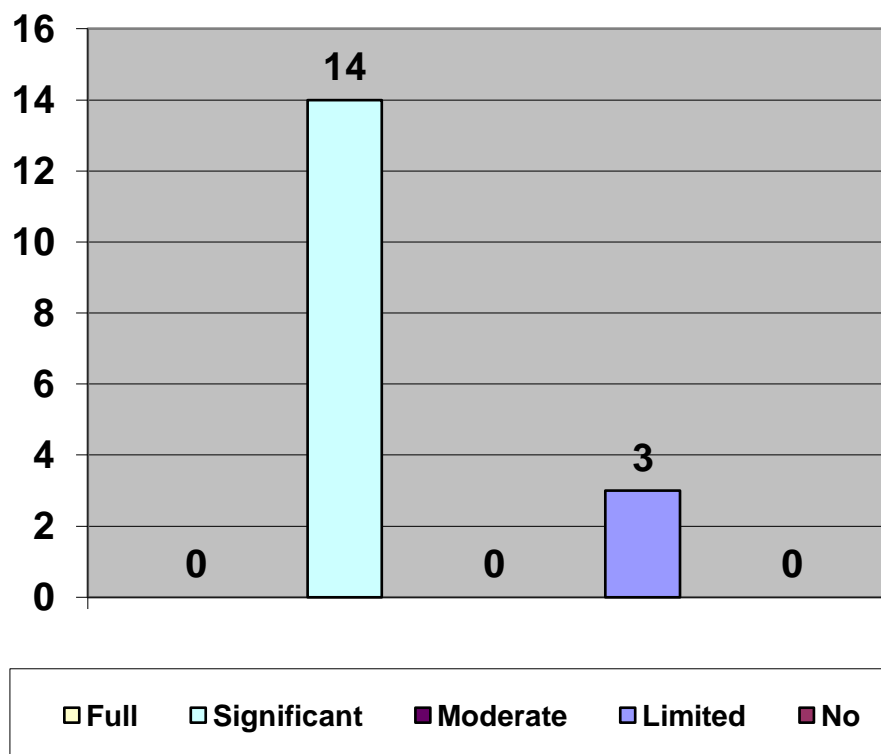
I have discussed and agreed this Annual Report and Head of Internal Audit Opinion with the Policy, Finance & Development Committee (on 21st July 2015). Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are covered within the progress reports and individual assignment reports that have been issued to the Committee during the year.

### Levels of Assurance – Individual Audit Assignments

The table and chart below set out the level of assurance provided by each relevant audit review during 2014/15.

Audit Review	Level of Assurance
Emergency Planning	Significant
Additional: Grant funding – member request	N/A
Anti Fraud & Corruption-targeted fraud prevention/detection work*	Advisory
Corporate Governance – Counter- Fraud policies and awareness for 2014/15*	N/A
Street Cleansing and Grounds Maintenance	Limited
Income Management & Cash Receipting	Significant
Elections / Electoral Registration	Significant
Budgetary Control/Medium Term Financial Strategy	Significant
Creditors	Significant
Debtors	Significant*
Treasury Management	Significant
Main Accounting	Significant
Council Tax	Significant
Business Rates	Significant
Benefits	Significant
Private Sector Housing/Disabled Facilities Grants	Significant
Additional review: grant funding - capacity	N/A
Void Property Management	Moderate
Payroll & Expenses	Delayed at management request
Capital Projects	
Refuse & Recycling collection – VFM review	N/A
Fees & Charges advisory– in place of planned review re Procurement/Shared Services	Advisory
Housing Rents	Delayed or deferred to 2015/16 at management request
Housing Landlord services	
Housing Repairs & Maintenance	
Planning Control (follow up)	
Greening the Borough	

\*Opinion at draft report stage



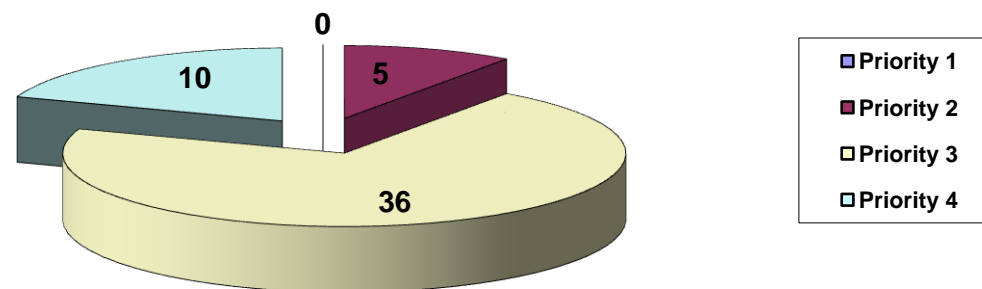


Level of assurance	Criteria
Full	No significant risk issues identified
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole

## Summary of Internal Audit Recommendations

### Recommendations made in 2014/15

Risk level	Number
1	0
2	5
3	36
4	10
<b>Total</b>	<b>51</b>

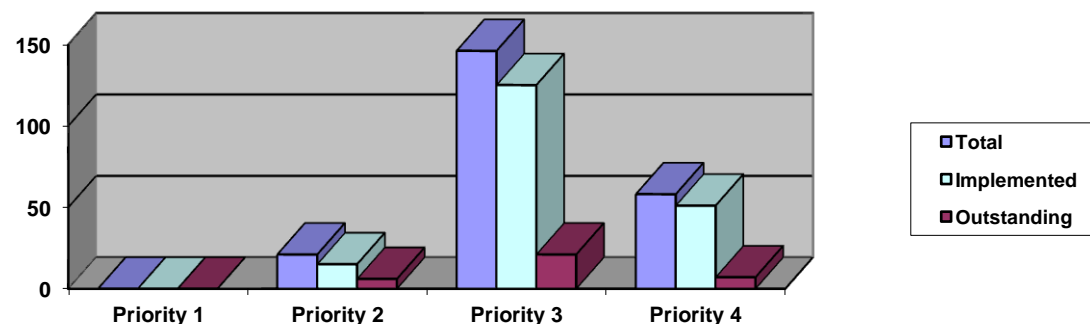


### Current status of all recommendations made and due for implementation by 31st March 2015

Risk level	Number	Impl*	O/S
1	0	0	0
2	21	15	6
3	146	125	21
4	58	51	7
<b>Totals</b>	<b>225</b>	<b>191</b>	<b>34</b>

\*incl. 'closed'

NB – of the 34 outstanding items, 23 are less than 3 months overdue.



## Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.

