



cw audit services

**Oadby & Wigston Borough
Council**

Annual Internal Audit Report 2015/16
June 2016

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 1st April 2015 to 31st March 2016.

The Council is required by law (Accounts & Audit Regulations 2015) to 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 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 2015/16 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 relevant levels of 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 satisfactory 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:

- Budgetary Control/Medium Term Financial Strategy – this review provided ‘moderate assurance’ and highlighted the weakening of budget monitoring and forecasting procedures due to the increased reliance on interim managers and staff through much of 2015/16 due to the unplanned absence of several senior managers. As result staff in the Finance Section often had to identify reasons for service level variances and to make budget outturn forecasts in isolation. We also noted in this context that at its meeting in February 2016 the PFD Committee approved the use of reserves to ensure that the originally approved revenue budget at the start of the 2015/16 financial year was not exceeded.
- Financial Systems – key controls review – this review provided ‘moderate’ and ‘limited’ assurance in relation to Creditors and Debtors respectively. The key matters highlighted related to: Creditors – compliance, and evidencing of compliance, with Contract Procedure Rules, and lack of independent review to confirm that any changes to the creditors masterfile are authorised and valid; Debtors – timeliness and accuracy of invoicing, and lack of debt collection, recovery and write-off processes operated during the year.
- Building Control - Value for money review – this review (currently at draft report stage) provided ‘limited assurance’ and highlighted matters mainly relating to the scheme of charges and its review.
- Payroll & Expenses – this review (currently at draft report stage) provided ‘moderate assurance’ and highlighted matters relating to the agreement with and data transfer to the payroll provider, and compliance with payroll procedures.

Our annual opinion for 2014/15 made reference to Significant Internal Control Issues in relation to the reviews listed below. In each case we have during 2015/16 carried out follow-up work to support management in identifying updated levels of implementation, and these have been reported to the PFD Committee during the year.

- Street Cleaning/Grounds Maintenance
- Void Housing Property Repairs
- 2013/14 review on Health & Safety
- 2013/14 review on Payroll & Expenses

We also note that several other planned reviews have been delayed at management request, for delivery in 2016/17 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 2015/16, 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 2015/16 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.

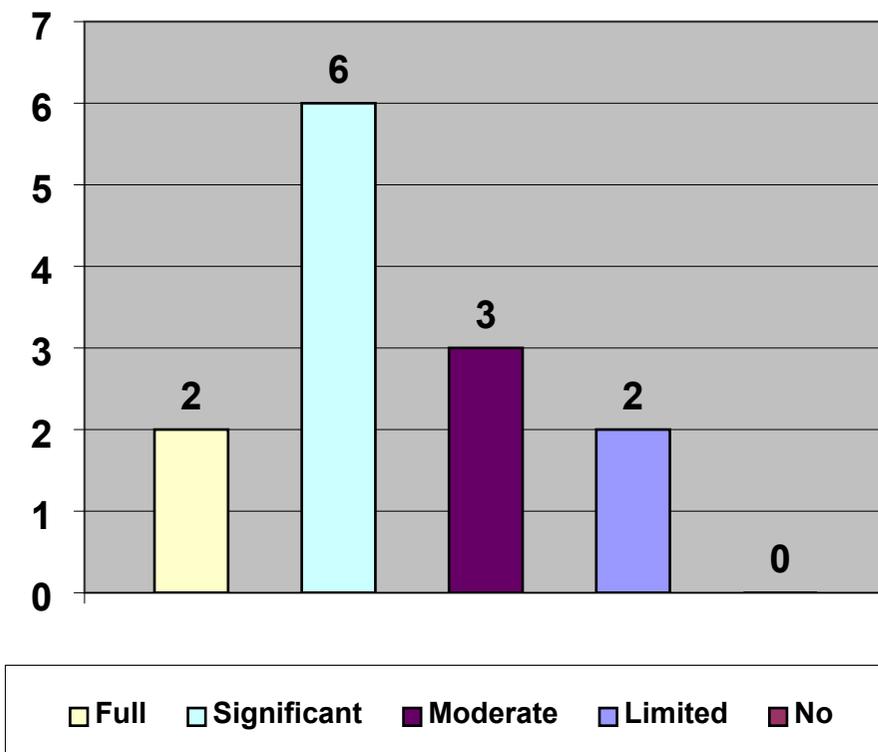
Closing remarks

I have discussed and agreed this Annual Report and Head of Internal Audit Opinion with the Policy, Finance & Development Committee (on 19th July 2016). 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 assurance audit review during 2015/16.

Audit Review	Level of Assurance
Budgetary Control/Medium Term Financial Strategy	Moderate
Main Accounting	Significant
Financial Systems – key controls review: Creditors Debtors Income management Treasury management	Moderate Limited Significant Full
Building Control VFM	Limited*
Payroll & Expenses	Moderate*
Human Resources	N/A – delayed at management request
Legal Services/corporate legal compliance arrangements	N/A – delayed at management request
Members allowances	Full
Council Tax	Significant
Business Rates	Significant
Benefits	Significant
Benefit Fraud Investigation	Significant
Housing Repairs & Maintenance	N/A – delayed at management request
Safeguarding - Children & Young People	N/A - Advisory
Housing Register & Allocations	N/A – delayed at management request
Community Safety/Anti-Social Behaviour	In progress
Leisure Centres/Leisure Development	In progress



*Opinion at draft report stage

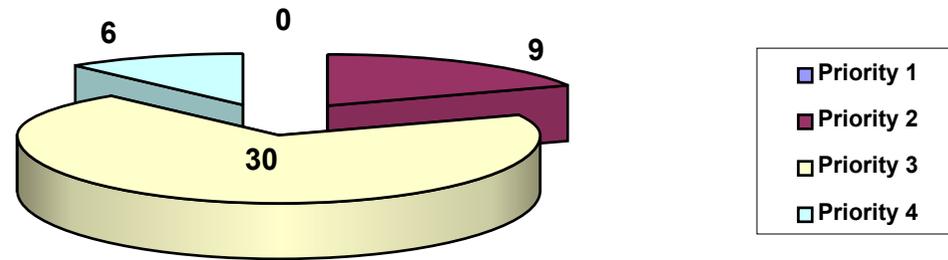
NB a range of other audits have been completed, which were advisory in nature and thus are not reflected above. These have been reported to the PFD Committee during the year.

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 relation to 2015/16 audit year

Risk level	Number
1	0
2	9
3	30
4	6
Total	45

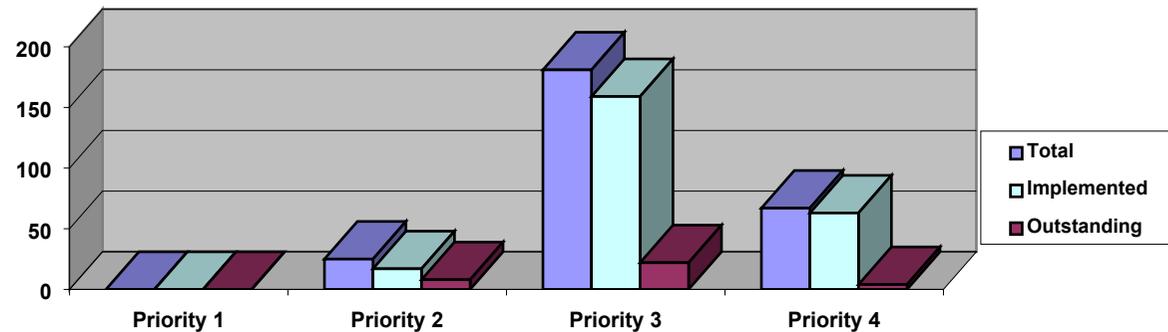


Current status of all recommendations made and due for implementation by 31st March 2016

Risk level	Number	Impl*	O/S
1	0	0	0
2	25	17	8
3	181	159	22
4	67	63	4
Totals	273	239	34

*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.