

Oadby & Wigston Borough Council

Internal Audit Annual Report & Opinion 2018/19

May 2019



cw audit
audit and assurance services

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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 2018 to 31st March 2019.

The Council is required by the Accounts & Audit Regulations 2015 to "to undertake an adequate and effective internal audit of its accounting records and of its system of internal control, 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 can 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.

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

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 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 Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

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 2018/19 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 agreed with management. A summary of work undertaken is included below:

- During the year we have undertaken reviews of your core financial systems and given significant assurance with regard to the management of risk in these areas and full assurance in the case of Payroll.
- Key income and expenditure systems such as Council Tax, Business Rates and Benefits have been subject to detailed audit review. Once again, controls were found to be operating effectively.

- We have undertaken a number of pieces of work on areas of principal risk. We were able to provide significant assurance for a number of these audits, such as ICT Disaster Recovery, GDPR and Legal Compliance. There were however some audits where we were only able to provide moderate or limited assurance and a summary of the issues highlighted in these areas is provided in the following paragraphs.

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.

We are pleased to report that our work has not highlighted any weaknesses that should be regarded as Significant Internal Control Issues that would require disclosure within your AGS. We did however identify some weaknesses in control that caused us to limit the level of assurance we could give in the following areas:

Performance Management:

- Our review highlighted that the current approach to corporate performance management continues to develop, with significant progress having been made in recent times. The recently-introduced key performance indicators are however operating alongside pre-existing arrangements to report to members in detail on service level performance. Plans to further develop the approach in 2019/20 will provide opportunity to rationalise this situation and make the process more efficient, whilst aiming to still provide members with adequate and appropriate information on performance, including on actions to address areas/indicators where performance is not as planned. The review also highlighted opportunities for improving the process of defining, validating and reporting on indicators.

Risk Management:

- Whilst this review was able to confirm that key risk areas are subject to review and reporting through the Council's existing governance structure, we have highlighted the need for an approved risk management framework, strategy or policy to govern and formalise required approaches and processes for managers and staff to follow in relation to identifying, documenting and reporting on risks and their management.

Project Management:

- The Council has made good progress from a position where no project management arrangements were in place to the current situation, whereby processes that are based on the widely recognised PRINCE2 methodology have recently been introduced. Thus, although there was limited evidence available of recently introduced controls being implemented in projects that commenced prior to 2018/19, opportunity now exists for projects to be more tightly controlled in the future. Recommendations have been made to develop the role of the Projects & Procurement Officer; develop guidance for project managers to facilitate application of the Council's project management processes; ensure that organisations implementing projects on behalf of the Council apply appropriate project management arrangements and formalise activities of Corporate Project Board through the introduction of Terms of Reference and minute taking of meetings.

Capital Programme:

- This audit was completed early in the 2018/19 year and focussed on capital projects that were included in the 2017/18 programme, as well as those that commenced in prior years. The audit highlighted a number of weaknesses in the previous processes for managing the capital programme and capital projects, which were reported to the September 2018 PFD Committee. We are pleased to report that a recent follow-up exercise has confirmed that significant improvements have been made in the processes for managing the capital programme in line with the recommendations made in this report.

Cyber Security:

- This review identified a number of areas where controls could be improved to ensure OWBC and the LICTP remain resilient to cyber-attacks. Recent review of the on-line recommendation tracking system indicates that 12 of the 17 recommendations made have now been implemented, with action being progressed in the remaining 5. Independent confirmation of this self-assessment on the current status of the audit recommendations made will be undertaken through the delivery of a follow-up exercise to be undertaken during 2019-20.

Taxi & Hackney Carriage Licensing:

- The original audit, which was reported in July 2018, highlighted a number of weaknesses with regard to how the taxi licensing service controls and documents individuals, operators and vehicles. We are pleased to report that the results of a recent follow up exercise has confirmed that action to address these weaknesses has either already been implemented, or is in the process of being implemented.

Housing Repairs & Voids:

- The main issue that contributed to the moderate assurance opinion we provided in our January 2019 report on housing repairs and voids related to the need to ensure that contract for repairs and refurbishments are subject to competitive tendering in accordance with contract procedure rules, including where aggregate spend with contractors over a period of time exceeds quotation or tendering thresholds. We are pleased to report a recent response received from the Head of Built Environment that good progress has been made in addressing the recommendations we made to address control weaknesses in this area.

Food Safety:

- The original audit, which was reported in October 2018, highlighted a number of areas in which practices followed by the Food Safety Team needed to be strengthened to ensure that food vendors throughout the Borough are properly regulated and risks to public health are minimised. A recent follow-up exercise has confirmed that necessary actions to improve the control environment have been implemented.

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

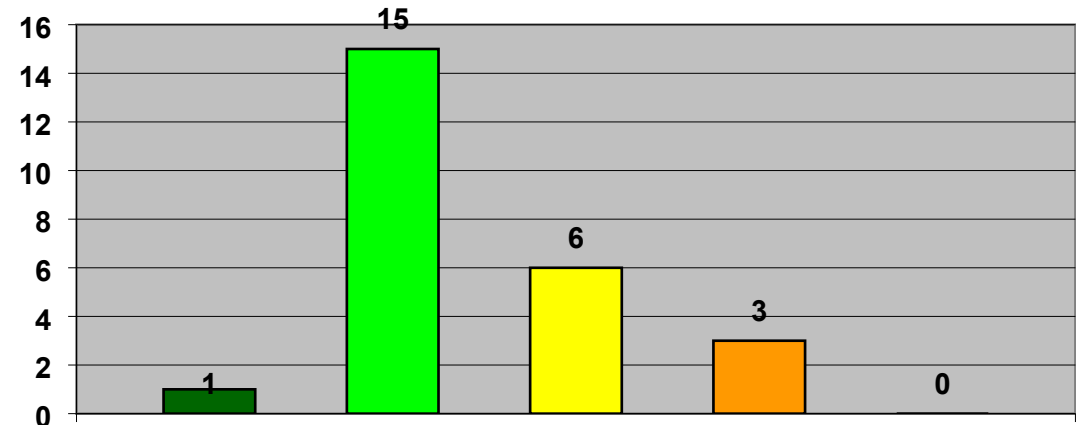
All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our 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 2018/19 year is included as Appendix 2 to this report. 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.

4 Quality Assurance

All audits have been conducted in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), which includes evidenced review by senior management of all audit files and reports produced. I can confirm that there have been no issues of non-compliance with the PSIAS during the course of the year. CW Audit's systems and processes for complying with PSIAS were confirmed as appropriate to need by an external assessment that was carried out in April 2018. I can confirm that all audits completed during 2018/19 were carried out in accordance with these systems and processes.

Levels of Assurance – Individual Audit Assignments

Description of audit	Assurance level
Performance Management	Moderate
Risk Management	Moderate
Project Management & Assurance	Moderate
Capital Programme	Limited
Cleaning Contract	Moderate
Procurement	Significant
Budgetary Control / MTFS	Significant
General Ledger	Significant
Creditor Payments	Significant
Debtors	Significant
Treasury Management	Significant
Income Management & Cash Receipting	Significant
Cyber Security	Moderate
IT Disaster Recovery	Significant
Payroll & Expenses	Full
Taxi & Hackney Carriage Licensing	Limited
GDPR	Significant
Legal Compliance	Significant
Council Tax	Significant
Business Rates	Significant
Benefits/Council Tax Support	Significant
Housing Rents	Significant
Homelessness	Significant
Housing Repairs & Voids	Moderate
Food Safety	Limited



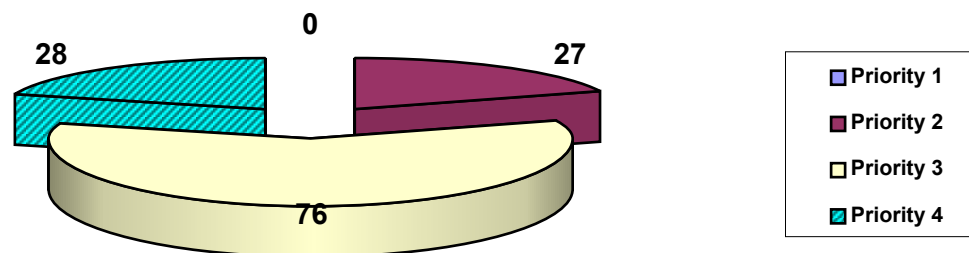
■ Full
 ■ Significant
 ■ Moderate
 ■ Limited
 ■ No

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 2018/19

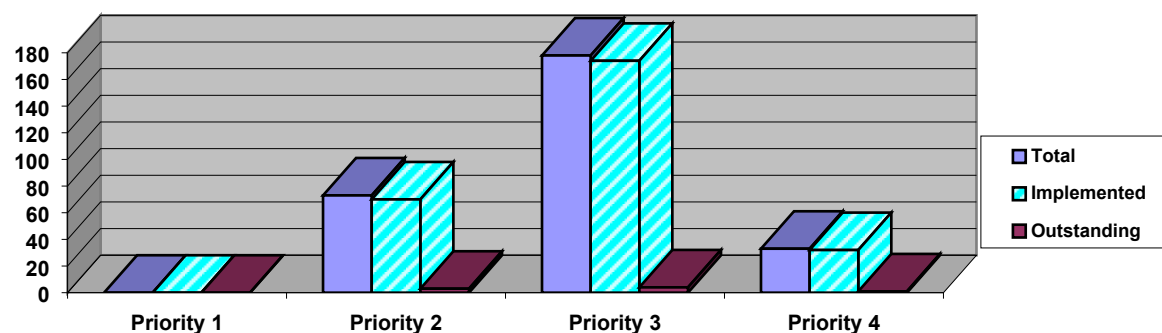
Priority	Number
1	0
2	27
3	76
4	28
Total	131



Current status of all recommendations due for implementation by 31st March 2019

(N.B. including recommendations made from 2015/16 to 2018/19, but excluding 2018/19 recommendations that fall due for implementation after 31st March 2019)

Priority	Number	Implemented	Outstanding
1	0	n/a	n/a
2	73	70	3
3	178	174	4
4	33	32	1
Total	284	276	8



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.