

# Oadby & Wigston Borough Council

## Internal Audit Annual Report & Opinion 2020/21

May 2021



**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 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021.

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 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 conducted work to provide assurance over financial, governance and operational systems. Appendix One summarises the assurance levels we have given. A summary of the audits completed 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, with the exception of Debtors, which we ranked as moderate.
- A significant amount of audit resources was committed to the review of various Covid-19 related grants administered by the Council during 2020-21. We were able to conclude that, provided an appropriate level of post-payment verification work is undertaken, reliance can be placed that controls over the disbursement of these grants was in accordance with central government guidelines.
- The Council's risk management arrangements have improved significantly during the 20-21 year, with the introduction of a formal Risk Management Strategy and regular review of corporate and operational risk registers being key factors in the full assurance opinion provide for this audit.

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:

### Debtors:

- This audit highlighted the general need to tighten up on the application of the Council's debt recovery routines for sundry debtors.

**Contract Register:**

- The review confirmed that the Council has a Contract Register in place that complies with the minimum data requirements of Paragraph 32 of the Transparency Code. However, a formal process to keep the Register up to date and published had not been implemented and it was apparent that many service managers were either unaware of their responsibilities to inform the Law and Democracy service of all contracts they enter into with suppliers; or at least needed to be reminded of this responsibility. The self-assessment on-line tracker has been updated by management during the year to confirm that eight of the nine recommendations made in respect of this audit have now been successfully implemented, with only the requirement to produce procedure documentation remaining.

**Website Content Management:**

- The new corporate website went live on 7<sup>th</sup> September 2020. The audit highlighted the requirement to address issues around security, access profiles and back-up arrangements. The self-assessment on-line tracker has been updated by management during the year to confirm that all eight recommendations made in respect of this audit have now been successfully implemented.

**Payroll & Expenses**

- This audit identified the need to strengthen controls around the contracted out payroll arrangements that the Council has in place with East Midlands Shared Services, including the need for a formally signed agreement to extend the original contract, provision of independent assurance over processing controls operated by EMSS and formal monitoring of contract KPIs. A requirement to improve the independent review of documentation in respect of starters and leavers was also identified.

**Agency Workers:**

- This audit was used to review the implementation of a new process and policy for recruiting temporary resources, following management's acknowledgement that existing arrangements were not sufficiently robust. The 'Moderate' assurance level we provided regarding control arrangements in place reflects action taken during 2020 to improve arrangements, but is limited by the inability to test these arrangements due to their lack of maturity. This area will be re-audited during the 2020-21 year to provide an independent assessment on the extent to which the new process and policy has been embedded throughout the Council.

## **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 2020/21 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.

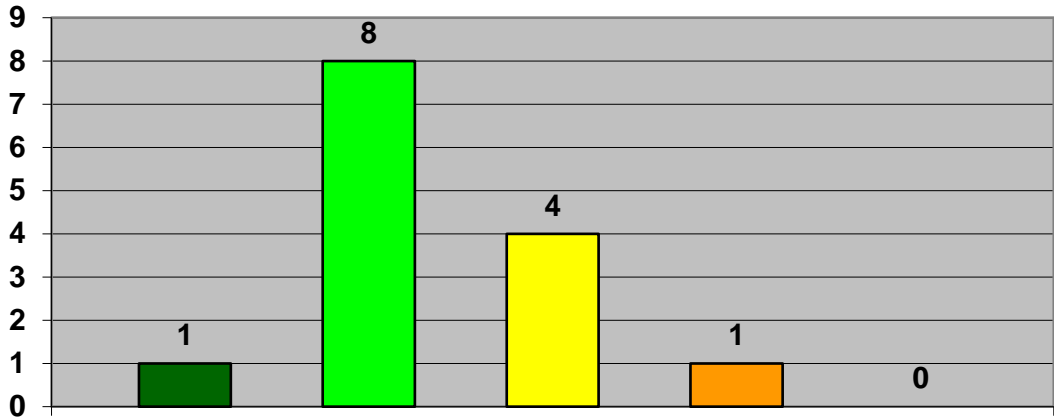
# **4 Quality Assurance**

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.



## Levels of Assurance – Individual Audit Assignments

Description of audit	Assurance level
Risk Management	Full
Financial Management & Reporting	Significant
Creditor Payments	Significant
Debtors	Moderate
Treasury Management	Significant
Contract Register	Limited
Website Content Management	Moderate
Payroll & Expenses	Moderate
Agency Workers	Moderate
Business Grants – SBGF & RHLGF	Significant
Discretionary Business Grants	Significant
Other Covid-19 Grants	Certifications provided
Waste Management	Significant
Private Sector Housing - Enforcement	Significant
Housing Allocations	Significant
Special Investigation – Honorarium Payments	N/A

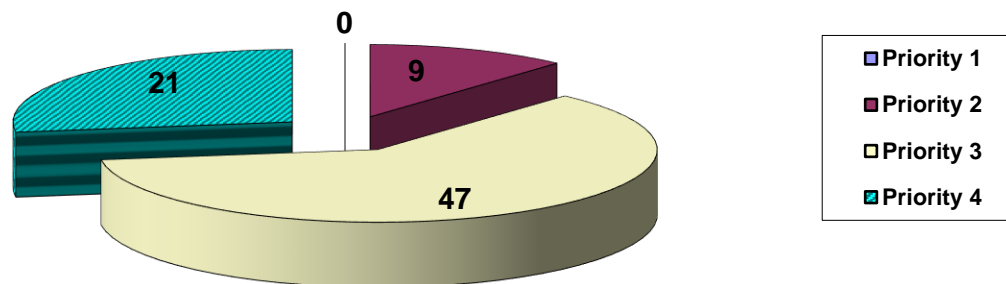


Level of assurance	Criteria
Full	No significant risk issues identified.
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review.
Moderate	Exposure to levels of risk that render some elements of the system’s control environment undeliverable.
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 2020/21

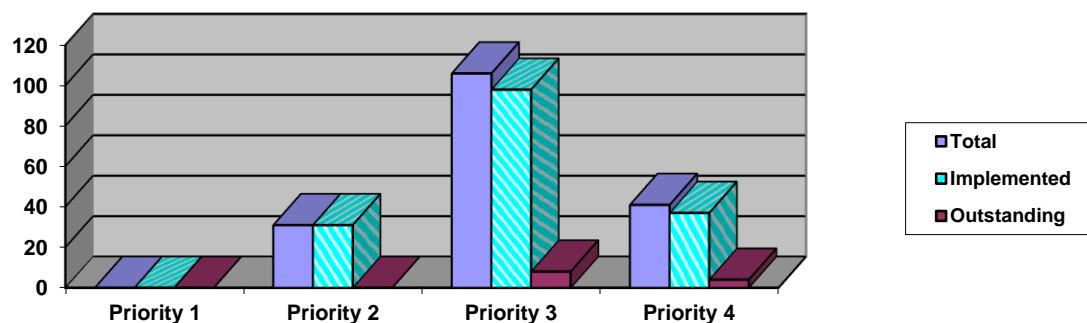
Priority	Number
1	0
2	9
3	47
4	21
<b>Total</b>	<b>77</b>



### Current status of all recommendations due for implementation by 31st March 2021

(N.B. including recommendations made from 2018/19 to 2020/21, but excluding 2020/21 recommendations that fall due for implementation after 31<sup>st</sup> March 2021)

Priority	Number	Implemented	Outstanding
1	0	n/a	n/a
2	31	31	0
3	106	98	8
4	41	37	4
<b>Total</b>	<b>178</b>	<b>166</b>	<b>12</b>



## 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.