

Oadby & Wigston Borough Council

Internal Audit Annual Report & Opinion 2021/22

June 2022



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 2021 to 31st March 2022.

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

An internal audit plan for 2021/22 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:

- Reviews of your core financial systems resulted in significant assurance being given with regard to the overall management of risk in these areas, with the exception of the sundry debtors system, which was assessed as moderate assurance due to the need to improve debt recovery processes.
- Whilst our reviews of the Council Tax and Business Rates systems resulted in the overall control systems being assessed as significant assurance, there remains a requirement to address shortfalls in collection rates and recovery of arrears, which have been impacted on by the Covid-19 pandemic. Reduced levels of collection and arrears recovery is a common theme being experienced nationally by Councils since the pandemic started.
- Our review of the Benefits system also resulted in a significant assurance opinion, but there is a need to reinstate the quality assurance sample checking of new and amended claims, as well as to improve processing times.
- The Council's risk management and performance management systems was found to be operating effectively, with significant assurance opinions provided in both cases.

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 for some of the broader risk focused work that we undertook during the year, summarised as follows:

Community Safety:

- Delivery of community safety priorities during 2020/21 was inevitably impacted by the Covid-19 pandemic. There were also some delays in agreeing what multi-agency activities will be delivered during the 2021/22 whilst the new Police and Crime Commissioner (elected May 2021) decided what the priorities should be, and agreement was reached on available budgets for CSP Partners. The self-assessment online recommendation tracking system indicates that all recommendations raised in this report have now been implemented.

Volunteer Programme:

- This review confirmed that the planned extension of the volunteer programme during 2020 had to be shelved due to the Covid-19 pandemic in favour of setting up the Community Hub, which provided volunteer support to residents who were shielding during the extended period of local and national lockdowns. Due to the urgent nature of the requirement to provide this level of volunteer support, normal controls applied as part of the appointment process, such as signed agreements and induction training were not deployed. There is a requirement to re-launch the volunteer programme, but the audit highlighted a number of areas where the Volunteering Policy that was agreed in November 2019 needs to be updated and improved. The self-assessment online recommendation tracking system indicates that three of the nine recommendations raised in this report have now been implemented, with a revised Volunteering Policy that addresses the remaining six recommendations currently in draft awaiting formal approval.

Selective Licensing:

- The audit confirmed that the disruption caused by the Covid-19 pandemic has impacted on the Council's introduction of the selective licensing scheme in South Wigston. Whilst the scheme commenced in May 2020, landlords were given until November 2020 to submit applications. As at the end of November 2021, applications were still awaited in respect of 120 privately rented properties. There were also 196 enforcement fees that remained outstanding and 270 applications where further supporting evidence was still required. Actual and projected income for the 2020/21 and 2021/22 years was found to be significantly below the combined income budget of £1.1m for these two years. The self-assessment online recommendation tracking system indicates that three of the four recommendations raised in this report have now been implemented and action is ongoing to develop and implement the remaining recommendation, which concerns the development and implementation of an inspection programme for properties on the scheme.

Housing Maintenance, Repairs & Voids:

- This audit confirmed that progress has been made to implement an extensive action plan to address some longstanding service delivery issues, but that there remained a number of longer term actions on the plan that need to be implemented to achieve the full level of improvements required. A moderate assurance opinion was therefore provided, which represents an improvement on the limited assurance opinion provided during 2019/20.

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

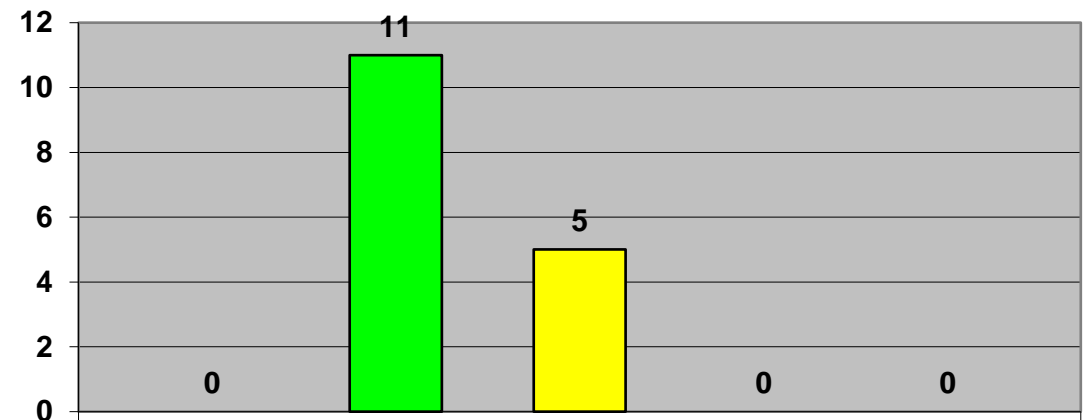
All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our 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 2021/22 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
Performance Management	Significant
Risk Management	Significant
Emergency Planning	Significant
National Fraud Initiative	N/A
Financial Management & Reporting	Significant
Creditor Payments	Significant
Sundry Debtors	Moderate
Treasury Management	Significant
IT – Implementation of In-house Provision	N/A
Payroll & Expenses	Significant
Council Tax	Significant
Business Rates	Significant
Benefits	Significant
Community Safety	Moderate
Volunteer Programme	Moderate
Taxi Licensing	Significant
Selective Licensing	Moderate
Housing Maintenance, Repairs & Voids	Moderate
Business Restart Grant	Certification provided
Homelessness & RSI Grants	4x Certifications provided



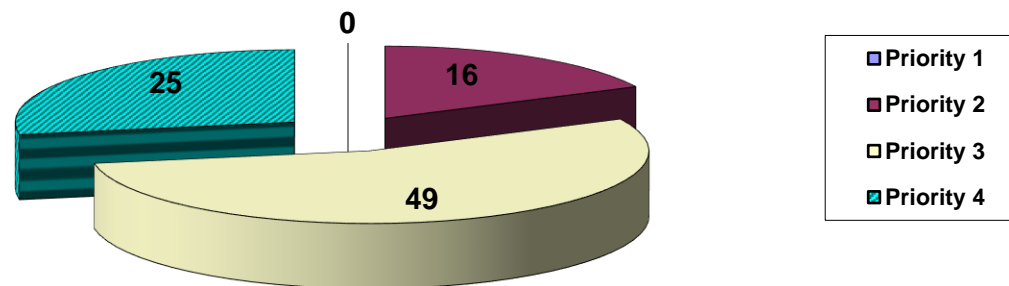
■ Full ■ Significant ■ Moderate ■ Limited ■ No

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 2021/22

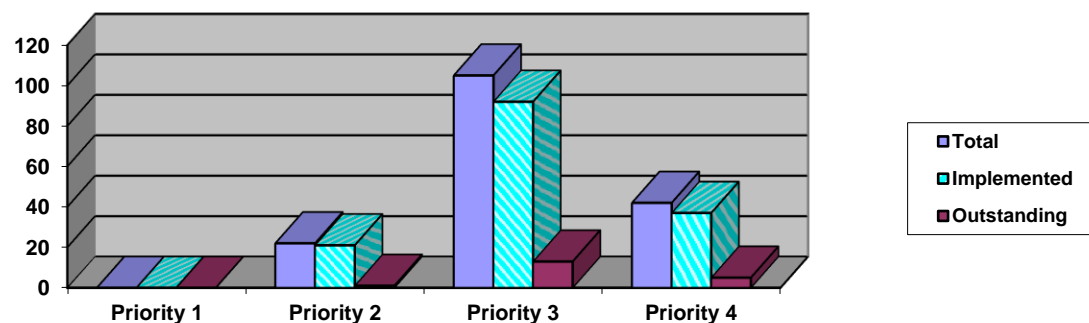
Priority	Number
1	0
2	16
3	49
4	25
Total	90



Current status of all recommendations due for implementation by 31st March 2022

(N.B. including recommendations made from 2019/20 to 2021/22, but excluding 2021/22 recommendations that fall due for implementation after 31st March 2022)

Priority	Number	Implemented	Outstanding
1	0	n/a	n/a
2	22	21	1
3	105	92	13
4	42	37	5
Total	169	150	19



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.