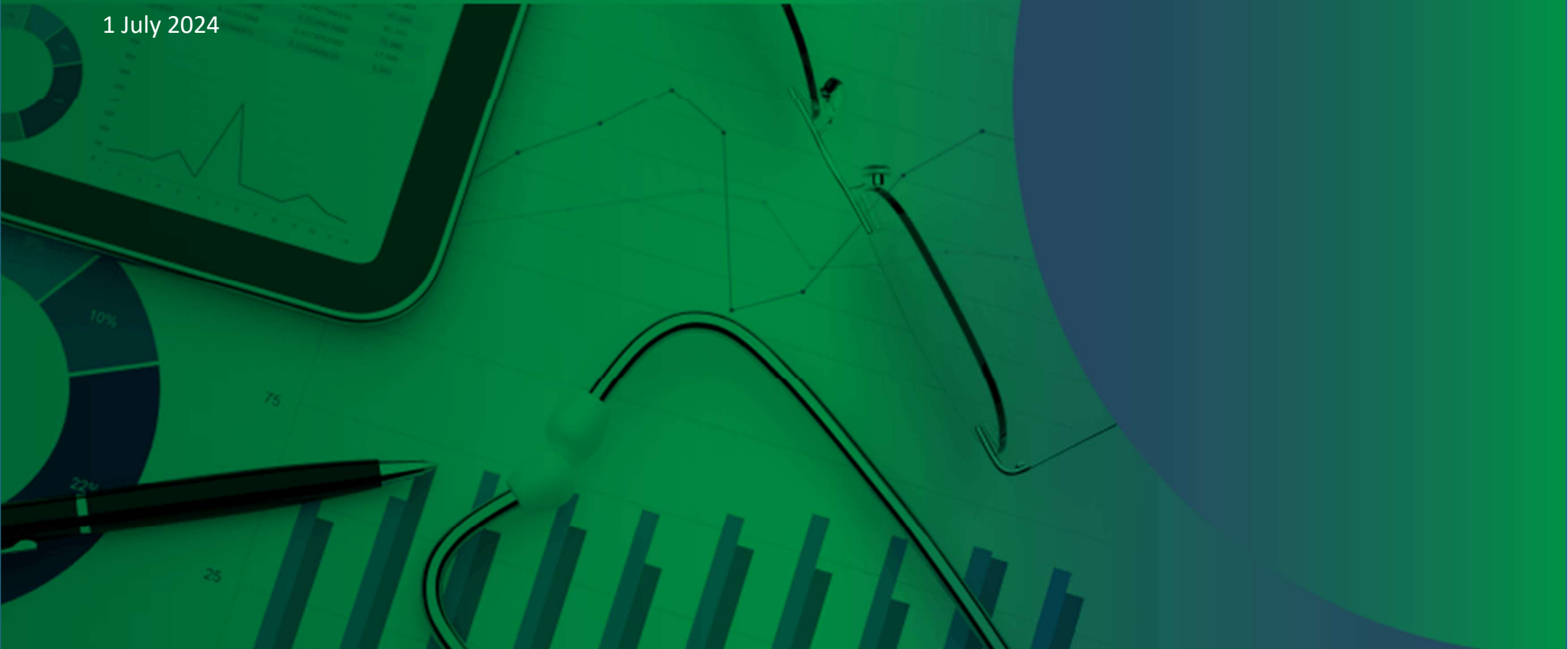




2023/24 Head of Internal Audit Opinion and Annual Report

Oadby and Wigston Borough Council

1 July 2024



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Reports prepared by 360 Assurance and addressed to OWBC directors or officers are prepared for the sole use of OWBC, and no responsibility is taken by 360 Assurance or the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose and a person who is not a party to the agreement for the provision of Internal Audit between OWBC and 360 Assurance dated 1 April 2023 shall not have any rights under the Contracts (Rights of Third Parties) Act 1999. The matters reported are only those which have come to our attention during the course of our work and that we believe need to be brought to the attention of OWBC. They are not a comprehensive record of all matters arising and 360 Assurance is not responsible for reporting all risks or all internal control weaknesses to OWBC.

The appointment of 360 Assurance does not replace or limit the organisation's own responsibility for putting in place proper arrangements to ensure that its operations are conducted in accordance with the law, guidance, good governance and any applicable standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. This report has been prepared solely for your use in accordance with the terms of the aforementioned agreement (including the limitations of liability set out therein) and must not be quoted in whole or in part without the prior written consent of 360 Assurance.

Introduction

The Council is required by the Accounts & Audit Regulations 2015 “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”.

This report contains my final opinion, along with a summary of your internal audit service for the 2023/24 financial year.

The provision of assurance services is the main role for an internal audit provider within the public sector and as part of this role, and in compliance with Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit will provide an opinion that is based on an objective assessment of the organisation’s framework of governance, risk management and internal control. The opinion should contribute towards developing the Annual Governance Statement.

Your 2023/24 Head of Internal Audit Opinion

My opinion is provided on the basis of an objective assessment of the framework of governance, risk management and control. To provide my opinion, I have considered:

- the arrangements for strategic risk management and the Board Assurance Framework
- Internal audit plan outturn
- the implementation of internal audit actions
- third party assurances.

The work undertaken within the Internal Audit Plan for the 2023/24 financial year is limited to the scope agreed with the organisation’s executive officers and approved by the Audit Committee, and as detailed within our final reports.

Context

In providing an opinion for the financial year, we have reflected on key issues faced across public sector organisations. Throughout 2023/24 Local Authorities have continued to face a range of challenges which has enhanced the need for strengthened control arrangements.

The Budget Monitoring Report (Q4 2023/24) presented to the Policy, Finance & Development Committee in June 2024 reported the final revenue position for 2023/24 was an overspend of £535k. At Quarter 3 (December 2023) the forecast outturn position for 2023/24 was £563K overspend which represents a 7.3% variance of the revised revenue budget of £7.709m. The 2023/24 Capital Programme was set at Full Council in February 2023 and the forecast outturn for the General Fund capital programme is £2.906m with slippage of £705K by outturn due to the new sports facilities schemes now being re-programmed for 2024/25. The forecast outturn for the HRA capital programme is £1.725m with slippage of £3.560m in the New Housing Initiatives and Decarbonisation schemes estimated by outturn.

During the year, there have been the following Director changes:

- Tracey Bingham, Director (S151 Officer) left the Council in late May 2023.
- Bev Bull, Head of Finance / Acting S151 Officer left in February 2024 and Sal Khan, Interim Strategic Director fulfilled the role from June 2023 to July 2024.
- Philippa Fisher, Strategic Director retired at the end of October 2023
- Terresa Neil, Strategic Director started in January 2024

During 2023/24 there has been changes at senior manager level including the Revenues & Benefits Manager leaving in June 2023 and the Finance Manager leaving in July 2023. Interim Finance Managers provided support for the period July to November 2023 and then from December 2023 to May 2024 until the substantive Finance Manager joined the Council in April 2024.

Your Head of Internal Audit Opinion for 2023/24 is provided below:

I am providing an opinion of Significant Assurance that there is a generally sound framework of governance, risk management and control designed to meet the organisations objectives, and controls are generally being applied consistently.

Strategic risk management– I am providing an opinion of Significant Assurance. The Council has updated the Strategic Risk Register and further developed arrangements during 2023/24.

Internal Audit outturn – I am providing an opinion of Significant Assurance for this element of the opinion. We have issued 1 moderate review. We have not been able to complete 5 reviews from the 2023/24 work programme and these are therefore excluded from our opinion. These will be included in the 2024/25 opinion.

Implementation of Internal Audit Actions – I am providing an opinion of Moderate Assurance for this element of the opinion. At year end the Council's overall action implementation rate was 74%. Whilst progress to close down actions was slow to start, during the latter months of the year significant efforts have been made to implement agreed actions. 3 high risk actions were implemented late, 2 high risks were overdue at the year end.

This opinion should be taken in its entirety for the Annual Governance Statement and any other purpose for which it is repeated.

Limitations to the opinion

It is management's responsibility to develop and maintain a sound system of governance, risk management and control. This opinion is based on the work undertaken. Where good levels of control are in place, there are still instances where this may fail, for example, poor judgement in decision-making, human error, control processes being deliberately circumvented, management overriding controls and the occurrence of unforeseeable circumstances. As our scope of work is limited, there may be weaknesses in control systems that we are not aware of.

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 a risk-based plan generated from an organisation-led Assurance Framework, which is one component that the Board considers in making its Annual Governance Statement.

Summary findings

Strategic risk management

The Opportunity Risk Management Policy was reviewed and approved by the Audit Committee in January 2023.

Processes are in place to review and update the Strategic Risk Register via the Risk Management Group (RMG) and Senior Leadership Team (SLT) prior to the Strategic Risk Register being presented to the Audit Committee.

The Audit Committee reviews the Strategic Risk Register on a quarterly basis in line with its remit to provide oversight and assurance to Full Council on the adequacy of governance, risk management and internal control processes. The Strategic Risk Register together with update reports were received by the Audit Committee at meetings in April, July, October 2023, January and April 2024.

The RMG was established in May 2022 with members from the Corporate Management Team to review and update the Strategic Risk Register. This group meets on a quarterly basis to review and update the risk register prior to it being submitted to the SLT for approval and then subsequently presented to the Audit Committee. Our review of the RMG minutes for March, May and September 2023 confirmed that each meeting had considered all of the risks on the Strategic Risk Register, further details for actions and controls were identified and added, and risk scores were revised where relevant. The SLT have reviewed the Strategic Risk Register at meetings in April, June, September and December 2023. SLT members have also reviewed the Strategic Risk Register and made updates where appropriate during March 2024.

The Operational Risk Registers are managed within service areas, with Heads of Service maintaining responsibility. All risks with a residual score of 10 or above are escalated to the RMG for review and consideration in respect of whether they should be added to the Strategic Risk Register.

We have reviewed the format of the Strategic Risk Register which includes alignment to the corporate priorities within the Corporate Plan, risk description, inherent, mitigated and target risk scores and risk owners (Heads of Service). Risks are scored using a 5 by 5 scoring matrix and guidance for assessing the likelihood and impact is provided. Further actions and timescales for completion are also recorded.

Internal Audit Plan outturn

In line with the PSIAS, your Internal Audit Plan was developed using a risk based process aligning our work with your 2023/24 Corporate Plan, strategic objectives and Strategic Risk Register. The planning process is designed to ensure that I discharge my statutory responsibility to provide a balanced Head of Internal Audit Opinion at the end of the financial year. The Audit Plan was shared with External Audit to ensure effective use of resources.

The Plan reflects the resources made available to Internal Audit as advised and agreed by the Chief Finance & S151 Officer and as agreed by your Audit Committee. The Audit Plan contains a mix of core audits that we define as required coverage to adhere to PSIAS over a five-year cycle in support of your Annual Governance Statement, as well as legislative and regulatory requirements. The balance of reviews reflects current and emerging risks to your organisation.

The 2023/24 Plan was discussed and agreed by the Chief Finance & S151 Officer, the Senior Leadership Team and approved at the April 2023 Audit Committee meeting.

During the year, we have liaised with designated lead officers within the organisation to discuss delivery of the Internal Audit Plan and to ensure that the work agreed at the start of the financial year continues to be reflective of changes in your risks and assurance needs.

Progress in relation to the delivery of your Internal Audit Plan has been reported regularly to the Audit Committee.

In agreeing the Internal Audit Plan, we identified a number of key assignments and risk based reviews. Whilst we recognise that the organisation engages internal audit to assist in areas of concern, the following completed review has been provided a moderate assurance opinion:

- Leisure Services – Contract Management

At the time of writing no high risk issues have been formally reported as a result of our 2023/24 work.

The assurance levels provided for all reviews undertaken are summarised below:

Substantial Assurance	<ul style="list-style-type: none"> • None
Significant Assurance	<ul style="list-style-type: none"> • Governance arrangements • Complaints management • Disabled Facilities Grants • Private sector housing - enforcement • Asset disposals • Fleet management • Payroll and expenses (<i>indicative assurance level, currently at proposed final report stage</i>) • Procurement (<i>indicative assurance level, currently at proposed final report stage</i>) • Accounts receivable (<i>indicative assurance level, currently at proposed final report stage</i>)
Moderate Assurance	<ul style="list-style-type: none"> • Leisure Services – Contract Management
Limited Assurance	<ul style="list-style-type: none"> • None
Weak Assurance	<ul style="list-style-type: none"> • None
Other	<ul style="list-style-type: none"> • Grant certification work

We are currently liaising with management at the Council on finalising the following reviews. These will be reported as part of the 2024/25 opinion:

- Financial ledger management and reporting
- Benefits / Council Tax support
- Revenues – Council Tax / Business Rates

The following audits from the 2023/24 Internal Audit Plan remain in progress and will be reported as part of the 2024/25 opinion:

- Licensing
- Housing allocations

Implementation of Internal Audit actions

As part of PSIAS, I am required to consider the appropriateness of the organisation's response to Internal Audit recommendations and action subsequently agreed.

As part of an established process, we use our online action tracking system to provide a summary of open and closed actions as part of our progress reports to the Audit Committee. We also provide a list of outstanding actions to the S151 Officer and Heads of Service (risk owners) on a monthly basis.

Since 1 April 2023, we have tracked 53 actions that fell due for completion in year to 31 March 2024. As at 31 March 2024, the organisation have an overall action implementation rate of **74%**, with a first follow up rate of 32%. This rate falls within our moderate assurance range for 2023/24. Whilst progress to close down actions was slow to start, during the latter months of the year significant efforts have been made to implement agreed actions. 3 high risk actions were implemented late, 2 high risks are overdue at the year end.

For information, next year we will consider the percentage of actions implemented by the original due date (first follow up) and whether there is a robust process and proactive culture with respect to actions.

Third party assurances

The Payroll service is outsourced to a third party provider and our 2022/23 audit identified that whilst a third party assurance had been provided this was limited. It was recommended that the Council seek documented assurance from EMSS of action taken to address control weaknesses highlighted in the report that impact on service delivery to OWBC and the Council should monitor implementation of actions during contract review meetings. At the time of our Head of Internal Audit Opinion work this action remained ongoing.

OWBC has a contract with Blaby District Council to administer its Disabled Facilities Grant (DFG) allocation. Whilst performance information is provided our current year audit work noted that third party assurance reports are not provided and we have recommended that the Council requests an assurance report.

Introduction

This report sets out service delivery by 360 Assurance during 2023/24.

Performance

We are required to comply with the mandatory Public Sector Internal Audit Standards (PSIAS). We adhere to these Standards and our working processes are set out in our Internal Audit Manual. Annually, all staff complete a declaration to acknowledge understanding and adherence to the Manual and sign a certificate of independence recording any possible conflicts of interest.

We have an annual programme of quality assurance to ensure compliance with PSIAS and this is reported to our Management Team and Management Board.

PSIAS require that providers of internal audit services have an independent assessment at least every five years. Our most recent external assessment of compliance with the Standards was undertaken by CIPFA in November 2022. This review confirmed that 360 Assurance achieved the highest level of compliance; that is we **fully conform** to the requirements of the standards.

Achievement of the plan

The 2023/24 Internal Audit Plan was approved at the Audit Committee meeting in April 2023. Delivery of the plan has been reported to every meeting of the Audit Committee. The plan has been regularly reviewed and updated through the committee and any significant changes appropriately approved.

Staffing

As the Director of 360 Assurance, I have a strategic responsibility for overseeing the effective delivery of the internal audit services to the organisation. The contract is delivered by a team of staff led by your nominated Client Lead, Ruby Deo and supported by Tracey Barnard-Ghaut.

Key Performance Indicators (KPIs)

[Appendix A](#) sets out the KPIs that were agreed as part of our contract with the organisation and our achievement against each of the indicators during the year.

Client satisfaction questionnaires

We issue client satisfaction questionnaires following the conclusion of all audit reviews. The questionnaire seeks to confirm that the auditee was appropriately engaged in the planning and reporting process and that our approach to the review and subsequent report provided added value to the organisation.

Responses received during 2023/24 are summarised in the graph below (based on 2 CSQs returned):



Where we have received comments on specific areas of service, these are reviewed and action taken, as appropriate, by the relevant Client Lead. Feedback is provided to the client lead officer.

I would like to pass on my thanks, and those of my team, to the Council for their continued support in helping us to deliver our work in what has been another challenging year for the public sector.

Leanne Hawkes
Director

KPI	Measure	Target	Actual	2023/24 Actual performance	
Service delivery and value					
1	Issue a Client Satisfaction Questionnaire (CSQ) following completion of every audit assignment.	The 360 Assurance CSQ link to be issued to the Client Lead for all audits. To be chased once. Outcomes to be presented to Audit Committee. Any negative responses to be appropriately followed up.	100%	100%	A CSQ was issued for all final reports. See also pages 9 and 11.
2	Produce an Annual Audit Plan and submit to the Audit Committee for approval on a timely basis. Plan aligned to client identified strategic risk/priorities.	A risk-based plan to be produced in accordance with 360 Assurance strategic planning guidance. Plan should be approved prior to commencement of financial year. Plan linked to strategic objectives and risks as identified in assurance framework. Plan demonstrates consideration of emerging risks (sector proposed risks) and major transformation projects. Plan considers other expected third party assurances to avoid duplication.	Yes	Yes	The audit plan was approved at the Audit Committee meeting in April 2023. During the year, we regularly reviewed the plan and all changes were reported through the Audit Committee.
3	Plan implemented within agreed budget.	The audit plan is delivered within the agreed budget, delivering the agreed number of outputs.	Yes	Yes	The audit plan was delivered as agreed with the Audit Committee.
4	Compliance with 360 Assurance Quality Monitoring Manual.	Implementation of the 360 Assurance Quality Monitoring Manual confirms compliance with PSIAS. Details of any non-compliance are provided.	Yes Details non-compliance	Yes	There are no areas of non-compliance in year.
5	Final report issued within 5 working days of executive sign-	From date Executive Lead provides approval to issue to date the report is issued.	100%	100%	Of the 10 audit assignments reported from the 2023/24 Plan,

KPI	Measure	Target	Actual	2023/24 Actual performance	
	off.			all were issued within 5 working days of executive sign-off.	
6	Terms of Reference issued before commencement of the audit.	Before the audit work starts, the Terms of Reference is agreed with the Executive Lead.	100%	100%	Of the 15 Terms of Reference agreed in the year, all were issued before the commencement of the audit.
7	Draft report issued within 10 working days of exit meeting.	The draft report to be provided for client review within 10 working days of holding the exit meeting.	100%	100%	Of the 10 audit assignments reported from the 2023/24 Plan, all were issued within 10 working days of the exit meeting.
8	Overall client satisfaction rating of satisfied or highly satisfied.	Responses to client satisfaction questionnaires to record an overall satisfaction rating of satisfied or highly satisfied.	90%	100%	A CSQ was issued for all final reports. 2 responses were received during the year, all of which were rated highly satisfied or satisfied.
People					
9	Percentage of audit staff with relevant qualifications. ¹	Relevant qualification defined by designated professional background. To be calculated based on days charged to the client.	60%	95%	Met

¹ Relevant qualification includes for example: CCAB including passed finalists, CIA/CMIIA, and professional qualification such as registered nurse and relevant masters.

Client KPIs					
1	Terms of Reference to be agreed within 10 working days of being received.	From date sent to Executive Lead to date approval is received.	100%	100%	Of the 15 Terms of Reference issued in the year, all were agreed within 10 working days
2	Information has been provided and staff have been available to meet the timescales set out within the Terms of Reference.	Recognising client pressures - the provision of information and availability of client staff has not impacted on delivering the audit within the agreed timescales.	100%	60%	There were delays in receipt of information from the Council for 6 reviews.
3	Management responses received within 10 working days of receiving the final draft report.	Complete sign off process to be completed from receipt of final draft report within 10 working days.	100%	100%	There were no delays in management responses for the 10 final reports issued to date.