

**Head of Internal Audit's Annual Report and Presentation of
Audit Opinion 2018/19**

Introduction

This report is produced to satisfy the Public Sector Internal Audit Standards which requires that:

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- *the opinion;*
- *a summary of the work that supports the opinion; and*
- *a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.*

Opinion on the overall adequacy and effectiveness of the Council's control environment

The Public Sector Internal Audit Standards state that "*The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory.*"

Based on internal audit assignments undertaken as part of the Audit Plan, together with the general views of the internal audit team gained from indirect exposure to the Council's operations, it must be concluded that the Council has an adequate and effective governance, risk management and control framework to address relevant risks with controls being applied consistently.

Inevitably, there were some instances of non-compliance that were identified by Internal Audit, as detailed in reports that were issued during the year. These were reported to Finance & Audit Scrutiny Committee each quarter and, in the case of audit assignments receiving less than 'substantial' assurance opinions, the full reports being brought expressly to the Committee's attention. Action to address these issues has been confirmed by management in all cases, with urgent action being taken where those issues were regarded as major.

There are no qualifications to that opinion, although clearly it can only be based on the audits undertaken during that year and on information garnered more informally by the internal audit team; it has to be acknowledged that not everything is subject to an audit within a 12-month time frame. The Council's external auditors form their own opinion based on their own work and the Annual Governance Statement provides an overall judgement on the control environment, derived from many sources, one of which is this Internal Audit Annual Report.

The Public Sector Internal Audit Standards states that *"Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board."*

The Audit and Risk Manager can confirm that he does not believe that the level of agreed resources has impacted adversely on the provision of the annual internal audit opinion.

Summary of the internal work undertaken during 2018/19 from which the opinion on the internal control environment is derived

The audits which form the basis of the opinion are listed in Appendix 1A. The results of these audits have been communicated to the Finance and Audit Scrutiny Committee in quarterly reports and are therefore not reproduced here. Each audit report, however, gives an overall opinion on the level of assurance provided by the controls within the area audited and this is set out in the table. The bands of assurance are set out at the bottom of Appendix 1A.

Appendix 1A indicates that internal controls were in the main found to be operating satisfactorily, giving an overall confidence in the internal control system operating in relation to these systems. Although most reports that were issued during the year contained recommendations to rectify control deficiencies it is important to stress that the issues raised in respect of these audits have since been addressed or, in the case of more recent audits, are in the process of being addressed. As part of Internal Audit's quarterly reporting, Members receive updates on the state of implementation of recommendations so can ensure that recommendations are actioned.

Three audits undertaken during the year were awarded a less than substantial level of assurance.

The list of audits in Appendix 1A comprises planned audits only – it does not include investigations that arose during the year.

Issues particularly relevant to the Annual Governance Statement

Issues particularly relevant to the Annual Governance Statement (AGS) have been identified from the process involved in its production. This includes compilation of the Service Assurance Assessments by services and the review of the draft AGS by the Senior Management Team and by the Leader of the Council and the chairs of the Scrutiny and Standards Committees. Some of these issues had been highlighted by Internal Audit during the year.

Comparison of the work undertaken with the work that was planned and summary of the performance of the internal audit function against its performance measures and targets

This is set out as Appendix 1B.

Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards state that:

"Chief audit executives are expected to report conformance on the Public Sector Internal Audit Standards in their annual report."

"To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance."

A review by the Chartered Institute of Public Finance and Accountancy (CIPFA), undertaken two years ago, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards. An action plan was produced to address those areas of non-compliance and this was reported to Finance & Audit Scrutiny Committee on 1 June 2016, together with the full results of the review. Last year's Internal Audit Annual Report confirmed that all areas of non-compliance had been addressed and that Internal Audit was now fully-compliant with the Public Sector Internal Audit Standards. The next external review is required to be undertaken by 31 March 2021.

Separately, the Public Sector Internal Audit Standards requires that *"The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity."*

The Audit & Risk Manager is able to confirm that Internal Audit is organisationally independent.

Communication of the results of the internal audit quality assurance & improvement programme

The Public Sector Internal Audit Standards states that *"The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report."*

The Internal Audit quality assurance programme includes reviews of audit files by the Audit and Risk Manager before issue of final reports and external audit reviews of Internal Audit's work. It also includes monitoring by the Section 151 Officer and ongoing scrutiny of its work by Finance & Audit Scrutiny Committee.

The Internal Audit quality assurance programme also comprises completion by auditees, post audit, of questionnaires for audits. Appendix 1C sets out the questionnaire that is used.

The results of the Internal Audit quality assurance programme are used to improve the service provided by Internal Audit.

In terms of the post audit questionnaires, no auditees awarded less than full marks (5) in their assessment of the audit that they had received. Obviously this indicates very broad satisfaction with the audits undertaken.

An improvement plan was produced to address the areas of non-compliance highlighted in the review of the Internal Audit Service undertaken by CIPFA.

Summary of Internal Audit Work Undertaken 2018/19¹

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Corporate Governance – Service Assurance Statements	Corporate	N/A – Consultancy Review	2
Performance Management	Corporate	N/A – Consultancy Review	12 advisories
Housing Investment/Maintenance Programmes	Assets	Substantial	0
Corporate Property & Portfolio Management	Assets	Substantial	3
Ethics	Corporate	Substantial	2
Collection of Council Tax	Finance	Substantial	0
Collection of National Non-domestic Rates	Finance	Substantial	5
Administration of Housing Benefit & Council Tax Reduction	Finance	Substantial	6
Payroll and Staff Expenses	Chief Executive’s Office (HR)	Substantial	4
Payment of Creditors	Finance	Substantial	0
Business Applications: Civica Open Revenues	Finance/ICT	Substantial	3
Information Governance: Council’s Compliance with General Data Protection Regulations – Follow-up	Deputy Chief Executive (AJ)/Democratic Services	Moderate	3
System Ownership and Management	ICT	Moderate	4
Financial System Interfaces	ICT	Substantial	3
Database Security	ICT	Substantial	4
Employee Attendance Management	Chief Executive’s Office	Substantial	2
Royal Pump Rooms (including Art Gallery)	Cultural Services	Substantial	2
Leisure and Recreation Facilities	Cultural Services	Substantial	1
Sports Development	Cultural Services	Substantial	0

¹ Planned and additional audits only.

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Leisure Facilities Contract	Cultural Services	Substantial	2
Electoral Registration	Chief Executive's Office	Substantial	0
Building Control	Development Services	Substantial	6
Community Infrastructure Levy and Section 106 Agreements	Development Services	Moderate	8
Insurances	Finance	Substantial	5
Funding of Voluntary Organisations	Health and Community Protection	Substantial	0
Health and Safety Enforcement in the District	Health and Community Protection	Substantial	0
Places and Projects	Health and Community Protection	Substantial	3
CCTV Services	Health and Community Protection	Substantial	6
Homelessness and Housing Advice	Housing Services	Substantial	4
Estate Management	Housing Services	Substantial	3
Right to Buy	Housing Services	Substantial	2
Leaseholder Service Charges	Housing Services	Substantial	1
Highways Functions	Assets	Substantial	3
Asbestos Management	Assets	Substantial	3
Customer Access Facilities	Neighbourhood Services	Substantial	0
Car Parking	Neighbourhood Services	Substantial	1

Key to Level of Assurance:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and, where there are controls, these are often not

	complied with.
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Overall Summary of Performance 2018/19

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	22	14	36
Number of planned audits completed	22	14	36
% assigned audits completed	100.0%	100.0%	100.0%
Number of audits completed within time allocation	9	N/A	9
% audits completed within time allocation	40.9	N/A	40.9
Number of audit days – planned	229.0	N/A	229.0
Number of audit days – actual	234.2	N/A	234.2
Productive time as % of available time – target	74.9%	N/A	74.9%
Productive time as % of available time – actual	68.5%	N/A	68.5%
Number of audit recommendations issued	65	26	91
Number of audit recommendations agreed	61	25	86
% audit recommendations agreed	93.8	96.2	94.5
Number of High Priority audit recommendations issued	3	1	4
Number of High Priority audit recommendations implemented	3	1	4
% High Priority audit recommendations implemented	100	N/A	100

Post Audit Questionnaire

Audit:

Date of report:

Auditor:

Manager:

In order to help us improve our service we would be grateful if you would spend a few moments answering the questions below.

Question	Yes	No	Comments (if applicable)
Pre-audit consultation			
Were you given adequate notification of the audit?			
Were the scope and objectives of the audit discussed with you?			
Was the audit process explained to you adequately?			
The audit			
Was the audit work undertaken at an agreed and convenient time?			
Was the audit conducted in a proficient manner?			
Were the appropriate staff interviewed for the audit areas covered?			
Were interviews conducted in a professional manner?			
Were the findings discussed with the right staff?			
Was the audit completed within a reasonable timescale?			
Audit reporting			
Was the draft report produced within a reasonable timescale?			

Question	Yes	No	Comments (if applicable)
Were you given the opportunity to discuss the report with the auditor?			
If so, did you find the discussion useful?			
Was the discussion conducted in a professional manner?			
Were your views and comments presented adequately in the final report?			
Were the recommendations in the report practical and realistic?			
Was the report produced to a professional standard?			
Did the audit reveal any unknown weakness in the system?			
Do you feel that the audit was worthwhile and has added value to your work?			

On a scale of 1 to 5, 1 being "very dissatisfied" and 5 representing "very satisfied", please score your level of satisfaction with the audit in overall terms:

If you have any other comments that you wish to make about the audit please record them below:

Manager: _____

Date: _____

Please return the form to Richard Barr, Audit and Risk Manager, Finance.