

**Head of Internal Audit's Annual Report and Presentation of
Audit Opinion 2020/21**

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 ancillary 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 that the level of agreed resources has not impacted adversely on the provision of the annual internal audit opinion.

Summary of the internal work undertaken during 2020/21 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 scheduled updates on the state of implementation of recommendations in order to provide assurance that recommendations are actioned.

The Covid Pandemic impacted on Internal Audit’s work in three distinct ways:

1. Team members were involved in corporate Covid-related activities such as distributing food parcels to people shielding
2. Team members were involved in processing Covid grant claims and one team member was responsible for fraud-related work in respect of claims - reviewing claims and submitting detailed returns to the appropriate Government department.
3. Working from home created sub-optimal working conditions – for Internal Audit Team Members and for the staff being audited. Obviously the impact of this lessened as the year progressed and working arrangements improved.

This led to a revised Plan comprising slightly fewer audits – approval of which was obtained from Finance and Audit Scrutiny Committee partway through the year. The scope of the audits that were carried out was not affected significantly.

Just 4 audits undertaken during the year were awarded a less than substantial level of assurance – all receiving a moderate level of assurance, the middle ranking.

The list of audits in Appendix 1A comprises audit reviews and consultancy-based reviews.

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 an external consultant, undertaken towards the end of the year, highlighted non-compliance with some elements of the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards require such external reviews to be undertaken at least once in a five-year period. The previous review was completed in 2016. An action plan was produced to address those areas of non-compliance and this was reported to Finance & Audit Scrutiny Committee in March, together with the full results of the review.

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 mentioned earlier. Finally, the Internal Audit quality assurance programme will, from 2021/22, include ongoing in-house reviews of compliance with the Standards as recommended by the external consultant. Time for this has been set aside in the Audit Plan and the first year of these have been scheduled.

Summary of Audits Undertaken 2020/21

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Local Elections (Follow-up Review)	Chief Executive's Office	Substantial	2
Corporate Governance	Chief Executive's Office	Substantial	1
Corporate Procurement	Finance	Substantial	0 + 1 advisory
Management of Contracts	Finance	Substantial	7 + 1 advisory
Shared Legal Services	Chief Executive's Office	Substantial	5
Local Land Charges	Development Services	Substantial	1
Corporate Training	HR	Substantial	1
Housing Rent Collection	Housing Services	Substantial	2
Catering Concessions	Cultural Services	Moderate	0 + 1 advisory
Building Cleaning Services	Neighbourhood Services	Substantial	3 + 2 advisories
Information Governance	Chief Executive's Office	Moderate	4 + 1 advisory
Cyber Security	ICT	Substantial	4 + 1 advisory
Council Tax	Finance*	Substantial	0
National Non-Domestic Rates	Finance*	Substantial	2
Digital Transformation – Consultancy Review	ICT	Substantial	9 suggestions
Web Applications: HomeChoice and WasteWeb	ICT	Moderate	3
Income Receipting and Document Management	Chief Executive's Office	Substantial	2 + 1 advisory
Development Management	Development Services	Substantial	5 + 2 advisories
Community Infrastructure Levy and Section 106 Agreements	Development Services	Substantial	0
Rural and Urban Capital Improvement Schemes	Finance*	Substantial	0 + 1 advisory
Purchasing Cards	Finance*	Substantial	0
Crime and Disorder	Health and Community Protection	Substantial	0 + 1 advisory

Assignment	Client Service Area	Level of Assurance	No. of Recs.
Nuisance and Other Protection Duties: Public Health Funerals	Health and Community Protection	Substantial	1
Business Applications: MIS Housing and Corporate Property	ICT	Substantial	3 + 1 advisory
Tenancy Management	Housing Services	Moderate	7 + 1 advisory
Communications	HR	Substantial	6 + 1 advisory
Staff Health and Wellbeing	HR	Substantial	7 + 1 advisory

*These audits, previously based in Finance, now fall under the new joint WDC/SUA service area - Revenues, Benefits & Customer Services.

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.

Summary of Internal Audit Performance 2020/21

Performance Indicator	In-house Team	External Contractors	Overall for Service
Number of planned audits assigned	22	4	26
Number of planned audits completed	23	4	27
% assigned audits completed	104.5%	100.0%	103.8%
Number of audits completed within time allocation	13	N/A	13
% audits completed within time allocation	56.5	N/A	56.5
Number of audit days – planned	252.4	N/A	252.4
Number of audit days – actual	248.9	N/A	248.9
Productive time as % of available time – target	72.5%	N/A	72.5%
Productive time as % of available time – actual	62.5%	N/A	62.5%
Number of audit recommendations issued	56	10	66
Number of audit recommendations agreed	54	10	64
% audit recommendations agreed	96.4	100.0	97.0
Number of High Priority audit recommendations issued	0	0	0
Number of High Priority audit recommendations implemented	0	0	0
% High Priority audit recommendations implemented	N/A	N/A	N/A

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.