

INTERNAL AUDIT ANNUAL REPORT 2018/19

Executive Summary

This report contains the Head of Internal Audit's annual assurance opinion on the control environment of the Council based on internal audit work undertaken during the 2018/19 financial year. This opinion forms an essential part of the assurance gathering process used to inform the compilation of the Council's Annual Governance Statement which is included in the annual accounts.

Overall controls are deemed to be effective within the Council. Where weaknesses have been identified, management have either implemented or agreed timescales for implementing Internal Audit recommendations in order to improve the control environment.

Recommendations

The Committee is requested to:

RESOLVE That the annual assurance opinion of the Head of Internal Audit over the control environment be noted.

The Committee has authority to determine the above recommendations.

Background Papers: None.

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1.0 Introduction

- 1.1 The purpose of internal audit is to provide the Council, through the Standards and Audit, Committee and the Director of Finance (as the Chief Finance Officer) with an independent and objective opinion on risk management, control and governance and their effectiveness.
- 1.2 This annual report forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.
- 1.3 Our professional responsibilities as internal auditors are set out within Public Sector Internal Audit Standards (PSIAS).
- 1.4 The report summarises the internal audit activity for 2018/19 and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our summary reports to Committee during the course of the year.

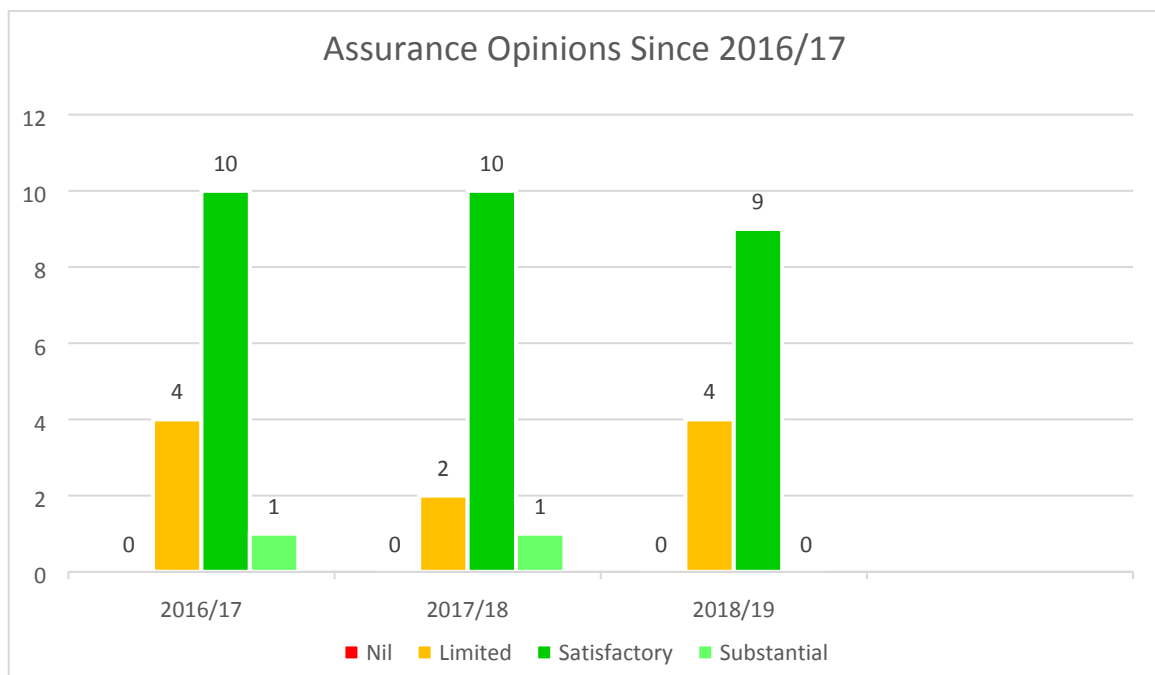
2.0 Internal Audit Opinion 2018/19

- 2.1 Internal Audit has reviewed the effectiveness of the Council's systems of internal control for 2018/19 and taken into account other relevant assurances obtained from internal and external sources.
- 2.2 Arrangements for internal control in individual business areas are generally effective although there are some areas of Council activity where the expected levels of control have not been fully achieved. Where this is the case effective actions have been taken, or are in progress, in response to internal audit recommendations made.
- 2.3 Overall control is deemed to be effective within the Council.

3.0 Delivery of the 2018/19 Internal Audit Plan

- 3.1 The Internal Audit function is outsourced to Mazars LLP, with the Head of Audit role also being undertaken by Mazars. From 2018/19 IT audit work has also been undertaken by Mazars.
- 3.2 The audit plan was agreed by the Committee in March 2018, with 303 audit days allocated. This number also includes the 24 days allocated to the Head of Audit role. The audits on the 2018/19 plan, comprise a mixture of, key financial systems, service specific (operational and financial), corporate wide and IT reviews.
- 3.3 Out of 20 reviews planned for the year, one was carried forward into the 2019/20 year, 14 are finalised, 1 is at draft report stage and 3 are in progress as at the end of June 2019. One further audit is starting on 22 July. Appendix 1 provides a summary of progress against the 2018/19 audit plan.
- 3.4 As at the time of writing there are 23 days left to be delivered on audits in progress.
- 3.5 A summary of the assurance opinion given and number of recommendations raised for each audit is provided in **Appendix 1**.
- 3.6 Each Internal Audit report gives an overall assurance opinion based on the level of controls found to be in place in the area being reviewed. In 2018/19 11 (69%) of audits finalised received a satisfactory assurance opinion and 4 (31%) received a Limited assurance opinion.
- 3.7 The chart below shows the assurance opinions provided since 2016/17. The distribution of assurance has remained largely consistent but indicates an increase in limited assurance reports issued when compared to 2017/18.

Details of the issues raised in audit reports are included in summary reports that have been made available to members.



- 3.8 For the Limited assurance reports issued in 2018/19 action has already been taken by management in response to the recommendations raised and in many cases the issues raised had already been identified by management. I am satisfied that control in these areas has improved since the audits were undertaken.
- 3.9 In addition to Internal Audit reviews carried out from the annual plan, Internal Audit have also given advice/assistance to business areas on issues of risk and control during the year including risk and control advice on supplier resilience.

4.0 Follow Up

- 4.1 Internal audit recommendations are categorised according to priority (High, Medium and Low). This gives management an indication on the urgency of implementing the suggested control.
- 4.2 The Council's improvement tracking tool, Shikari, was used to record all recommendations made in Internal Audit reports and to monitor their implementation status. The Shikari system was decommissioned in 2018 and a spreadsheet tracking system has been adopted while a new SharePoint based system is developed.
- 4.3 Internal Audit request updates from management to monitor levels of implementation. This is supplemented by spot checks in the business area concerned to confirm that the recommendation is being implemented in practice. A procedure is in place to escalate recommendations that have not been implemented to CMG and finally to this Committee where necessary.
- 4.4 In 2018/19 9 high and medium priority recommendations due for implementation within the year were followed up to confirm that they had been implemented. Of the 9 recommendations raised, 7 were implemented and one was no longer applicable. One medium priority recommendation was not fully implemented; however, the recommendation had been implemented to the extent that no further follow up is considered necessary.

5.0 Implications

Financial

- 5.1 There are minimal financial implications around the implementation of internal audit recommendations. Some audit recommendations are designed to improve value for money and financial control

Human Resource/Training and Development

- 5.2 Some audit recommendations need resource to put in place.

Community Safety

- 5.3 None.

Risk Management

- 5.4 Internal Audit identifies weaknesses in the control environment. Implementation of recommendations therefore improves the control environment and hence the management of risk.

Sustainability

5.5 There is minimal impact on sustainability issues.

Equalities

5.6 There is minimal impact of equalities issues.

REPORT ENDS

APPENDIX 1

Audit	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
People					
Grants to Voluntary Organisations	Final	Satisfactory	0	2	2
Community Safety	Final	Satisfactory	0	1	0
New Vision Homes Contract Management	Final	Limited	1	9	0
Homelessness Reduction Act	Draft	Limited	2	3	0
HMO and Selective Housing Licensing	Deferred	-	-	-	-
Place					
Building Control	Final	Satisfactory	0	2	4
Emergency Planning	Final	Satisfactory	0	1	5
Air Quality Monitoring and Management	Final	Satisfactory	0	3	3
Waste Collection	In Progress*	-	-	-	-
Asset Management	In Progress	-	-	-	-
Us					
Freedom of Information Requests	Final	Satisfactory	0	2	1
Corporate					
Key Financial Control Testing	Final	N/A	0	1	0
Sheerwater Regeneration Governance	Final	Satisfactory	1	2	0
Thamesway Group Companies	Final	Satisfactory	0	1	1
Business Continuity	Final	Limited	2	3	0
Supplier Resilience	Final	N/A	-	-	-
Sickness Absence Management	Final	Satisfactory	0	2	1
IT					
Windows Operating System Network Management	Final	Limited	2	5	1
IT Strategy	In progress	-	-	-	-
FlexiRoute Application	22 July start	-	-	-	-
Total			8	37	18