

INTERNAL AUDIT ANNUAL REPORT 2019/20

Executive Summary

This report contains the Head of Internal Audit (HOIA) annual assurance opinion on the control environment of Woking Council (Council) based on internal audit work undertaken during the 2019/20 financial year.

This opinion forms one of the key sources of assurances within the Council and used to inform the compilation of the Council's Annual Governance Statement which is included in the Financial Statements. The Internal Audit function of the Council, incorporating the HOIA is outsourced to Mazars LLP.

Towards the latter end of the 2019/20 financial year, with the Coronavirus pandemic (Covid-19), government's advice and lockdown restrictions, some service areas within the Council were unable to accommodate scheduled audits and these were deferred. In addition, a number of audits which were completed, had to be conducted remotely and in four cases, affected access to systems with the result that testing could not be carried out as planned.

These limitations in our coverage are not considered to be of high risk and will be picked up in due course and/or, by extending the period covered in any upcoming audits. The impact of these limitations in coverage is not considered to have a material impact on our ability to provide an annual opinion.

Overall controls are deemed to be adequate and 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

- (i) 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.
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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 (Committee) and the Finance Director (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 within the Financial Statements. 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 UK Public Sector Internal Audit Standards (PSIAS).
- 1.4 The report summarises the internal audit activity for 2019/20 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 2019/20

- 2.1 Based on the audit work performed, overall we consider the control framework operated within the Council to be generally adequate and effective. Whilst there are some areas of activity where the expected levels of control have not been fully achieved, where this is the case actions have been taken, or are in progress, in response to internal audit recommendations made.

3.0 Delivery of the 2019/20 Internal Audit Plan

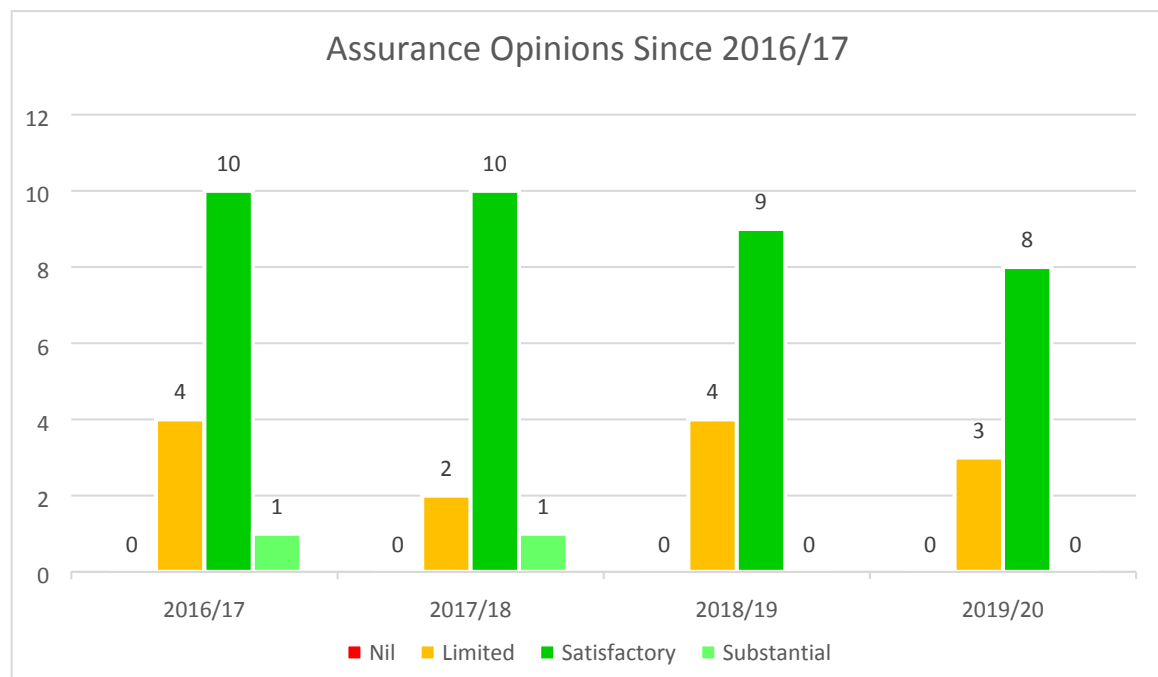
- 3.1 The 2019/20 Internal Audit Plan (Plan) was agreed by the Committee in March 2019, with 305 audit days allocated. The audits in the Plan, comprised a mixture of, key financial systems, service specific (operational and financial), corporate wide and IT reviews.
- 3.2 Out of 23 reviews planned for the year, 14 are finalised, four are at draft report stage awaiting management comments, and five were carried forward into the 2020/21 year (Community Infrastructure Levy (CIL), Victoria Square Development, Risk Management, Capita Open Housing and Office 365).
- 3.3 Of the four draft reports, at the time of our annual report two were deemed to have Limited assurance and included a total of seven High Priority recommendations between the two. However, it should be noted that we are waiting for management comments from the report as well as validation and agreement of recommendations raised.
- 3.4 From the 14 finalised reviews, 11 were on an assurance basis, where we provide an opinion based on our assessment of the control environment. Of these 11 finalised reports, eight (72%) received a satisfactory assurance opinion and three (27%) received a Limited assurance opinion. The remaining three final reviews, are related to advisory work and the continuous monitoring of key financial systems where no opinion is given due to the nature of the work.

- 3.5 There were two IT reviews undertaken during the 2019/20 financial year, IT Strategy and FlexiRoute Application. Although these two audits were part of the 2018/19 Plan, these were considered in forming our opinion for this year. The 2019/20 IT reviews were defined in the latter end of the financial year and, due to Covid-19, were agreed to be included in the 2020/21 Plan.
- 3.6 Details of the issues raised in audit reports are included in summary reports that have been made available to the Committee.
- 3.7 In addition to the above assurance based reviews carried out from the Plan, Internal Audit have also given advice/assistance to business areas as appropriate. For example, the Council Risk Management framework.

4.0 Benchmarking

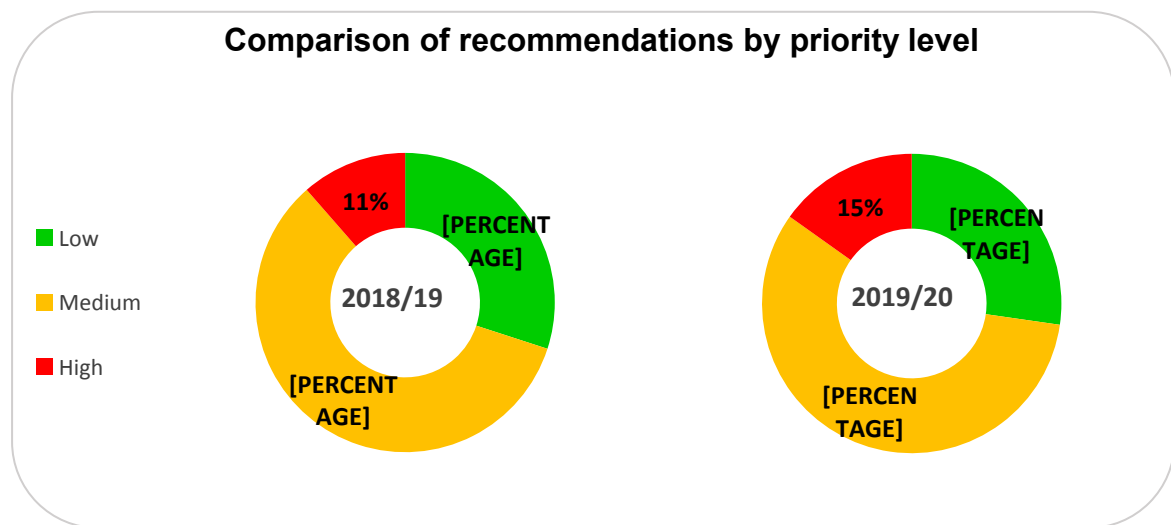
Assurance Levels

- 4.1 The chart below shows the distribution of assurance over the past four years. Overall, levels have largely remained consistent over this time. The reduction in opinions in 2019/20 is due to three reviews being advisory and therefore not included in this chart.



Recommendations

- 4.2 During 2019/20, we have made a total of 66 new recommendations. Ten of these recommendations were High Priority, 38 were Medium Priority and 18 categorised as Low Priority. Details are shown in Appendix 1 which also includes seven recommendations from a 2018/19 audit.
- 4.3 Details of the total and categorisation of recommendations in 2018/19 are also provided in the table below.



Compared to 2018/19, whilst the total number of recommendations has decreased (70 recommendations made in 2018/19), the distribution of priorities has remained similar with a small increment of High Priority recommendations raised in 2019/20.

5.0 Follow Up

- 5.1 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.
- 5.2 Historically 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 had been adopted until the new SharePoint based system went live at the end of June 2020.
- 5.3 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.
- 5.4 As at June 2020, there are seven high priority recommendations outstanding. Five of which are due for implementation within the year and were followed up to confirm that they had been implemented. Of the five recommendations raised and due, one of these, related to Homelessness, was fully implemented. It is worth mentioning that the implementation date in three recommendations was impacted by the Covid-19 pandemic.
- 5.5 All outstanding internal audit recommendations will be uploaded to the new SharePoint based system in July 2020 by Internal Audit and monitored throughout the year.

6.0 Implications

Financial

- 6.1 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

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

Community Safety

- 6.3 None.

Risk Management

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

Sustainability

- 6.5 There is minimal impact on sustainability issues.

Equalities

- 6.6 There is minimal impact of equalities issues.

REPORT ENDS

APPENDIX 1

Audit	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
People					
Community Centres	Final	Satisfactory	0	5	0
Homelink – Handyman Service	Final	Satisfactory	0	0	1
Housing Allocations	Final	Satisfactory	0	3	0
HMO and Selective Housing Licensing	Final	Satisfactory	0	4	1
Right to Buy	Final	Satisfactory	0	2	1
Place					
Street Cleansing and Ground Maintenance Contract (Serco)	Final	Limited	0	5	1
Managing Agents Health & Safety	Draft	Limited	3	5	4
Community Infrastructure Levy (CIL)	Deferred	-	-	-	-
Brookwood Cemetery	Final	Satisfactory	0	2	2
Us					
Data Breaches	Draft	Satisfactory	0	3	2
Corporate					
Key Financial Control Testing	Final	N/A - Compliance	0	0	2
NNDR	Final	Satisfactory	0	2	0
Cash Receipting/Collection Systems	Final	Limited	1	1	0
Fraud Service	Final	Limited	2	3	1
Risk Management	Deferred	-	-	-	-
Risk Management – Strategy Review	Final	N/A - Advisory	-	-	-
Victoria Square Development	Deferred	-	-	-	-
Group Companies – Thamesway H&S and Housing	Final	Satisfactory	0	2	2
Off-Payroll Engagement (IR35)	Draft	Limited	4	1	1
IT					
Capita Open Housing	Deferred	-	-	-	-
Office 365	Deferred	-	-	-	-
IT Strategy (2018/19 Plan)	Final	N/A - Advisory	-	-	-
FlexiRoute Application (2018/19 Plan)	Draft	Satisfactory	0	4	3
Total			10	42	21