

# Annual Internal Audit Report & Opinion

2019 - 20

Winchester City Council



## Southern Internal Audit Partnership

Assurance through excellence  
and innovation

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## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

***‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’***

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].



The role of internal audit is best summarised through its definition within the Standards, as an:

***‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

## 2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Deputy Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation’s success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



### 3. Internal Audit Opinion

The Deputy Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

#### *Annual Internal Audit Opinion 2019-20*

*"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Winchester City Council's internal control environment.*

*In my opinion, Winchester City Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice.*

*Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."*

#### 4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2019-20 Internal audit plan, approved by the Audit Committee in March 2019, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

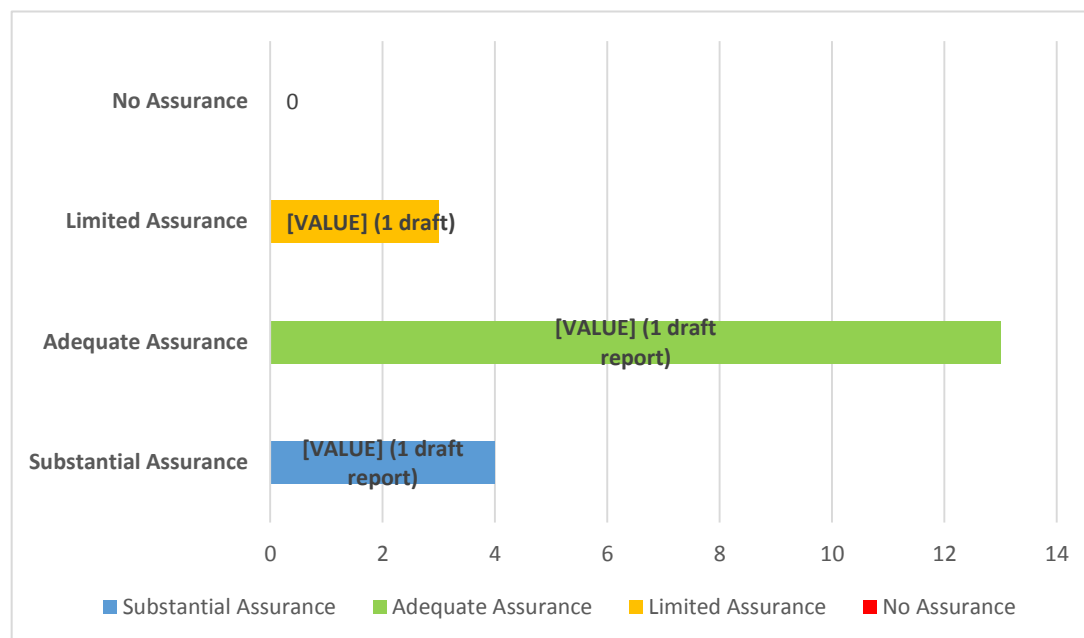
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 28\* reviews during the year ending 31 March 2020.

The revised 2019-20 internal audit plan has been delivered with the following exceptions:-

- Work is in progress for IT – Patch Management and IT – Secure e-mail audits however due to COVID-19 and impact upon officer availability, the reviews have not progressed to a stage where draft reports can be issued. This work is in progress and will contribute towards the 2020-21 audit opinion.

The opinion assigned to each internal audit review (including draft reports) is summarised below:



**Substantial** – There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found;

**Adequate** - While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk;

**Limited** - Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk; or

**No** - Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

\*6 reviews did not culminate in an audit opinion as they represented certification reviews, facilitated the completion of the National Fraud Initiative / CIPFA fraud survey or concluded with a position statement.

A list of the 2019-20 assurance reviews undertaken and their respective opinions is provided in Annex 1.

## 5. Key Observations

Due to the timely delivery of the internal audit plan, we are pleased to report that despite the significant impact and subsequent challenges posed by the coronavirus pandemic both to the way we work and the delivery of Council services, this has not inhibited our ability to provide an opinion on the Council's framework of risk, governance and control for 2019-20.

Our coverage of Information Technology is the only area during the year that has been impacted, with our reviews of Patch Management and Secure e-mail deferred at the Council's request due to service prioritisations in responding to COVID-19.

Internal Audit work found there to be a generally sound control environment in place across all review areas during the year, which were found to be working effectively to support the delivery of corporate priorities. There were no audits that concluded with a 'No Assurance' Opinion although three reviews concluded with a 'Limited Assurance' Opinion as summarised below:

**Tourist Information Centre (TIC) – Limited Assurance Opinion (Previously reported within the November 2019 Progress Report).** Whilst the core purpose of the Tourist Information Centre (TIC) is to provide information, help and advice on a wide range of subjects and services to the general public and visitors to the area, investment in a new centre was predicated on the potential for income generation from retail; box office services; additional transport ticketing and bed bookings; and new chargeable Council services. At the time of the review, negligible box office contributions for 19/20 were highly unlikely to reach the £15k forecast income levels predicted in the 2017 business case for investment into the TIC. There was no analysis of box-office profitability to understand whether running costs were covered by commission income.

Tickets prices for Guildhall events to be sold through the box-office were not confirmed via the standard booking form which had led to instances where the incorrect ticket price was charged. Other issues were identified with third party event organisers with consistently obtaining signed agreement to the box-office terms and conditions and inconsistencies with the accuracy and/or promptness in passing income received / reclaiming commission from the third parties. In general, there were appropriate controls over the daily income collection, secure holding and banking and with retail stock checks and storage. However, there were no formalised processes to decide which items to purchase and sell through the TIC or, for example target profitability levels with which to assess performance and aid decision making.



### **IT – Back ups - Limited Assurance Opinion**

Data is backed up regularly and consistently, a daily task is undertaken to ensure that all back up jobs are completed successfully, and processes are in place to investigate and remediate any issues identified. Whilst a back up strategy has been produced, it does not cover backup locations, frequencies, responsibilities, monitoring or retention periods. There was no clear, demonstrable methodology to rank and prioritise data and applications. Disposal of back up media is handled by a specialist company, however as this company does not provide itemised destruction certificates, it is not possible to provide assurance that all tapes were being removed and destroyed.

### **Working in Partnerships (draft report) - Limited Assurance Opinion**

At the time of review, corporate responsibilities for the oversight of partnership working had not been formally agreed and assigned. Whilst there was a proposed 'tier' system in place for partnership working, from more informal networking arrangements through to formalised, 'contractual type' arrangements with key criteria indicated for each tier, the guidance on partnership working had not been finalised, formally approved and communicated and there was a lack of awareness from key staff that the guidance exists.

A list of partnerships is in place which captures the partnerships that the Council are members of, as well as the tier and the Lead Officer. The list is updated at least annually. Partnership agreements were in place for all of the Tier 4 partnerships that we selected and a review of these agreements confirmed that the aims and objectives of the partnership and the performance management arrangements were documented, however, some of the partnership agreements were out of date and/or had not been signed by all parties and were missing some key elements. The key risks relating to the partnerships, the mitigating controls and corresponding actions were not documented in any of the partnerships that we reviewed.

Regular meetings were held between all of the organisations involved in each of the partnerships reviewed. Any actions arising from the meetings were recorded, with responsibilities assigned and progress followed up at subsequent meetings. Poor performance of partnerships was identified and corrective action taken where required, including terminating the partnership arrangement if necessary. At the time of review, a report summarising partnership performance had not been produced and presented to senior management and Members although an annual performance report was produced and presented to the Scrutiny Committee (formerly Overview and Scrutiny) for the statutory Winchester Community Safety Partnership.

## 6. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015.

In considering all sources of evidence the external assessment team concluded:

**“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).**

**There are no instances across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”**

In accordance with PSIAS, annual self-assessments have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

## 7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.

## 8. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2019-20 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

## 9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	2018-19 Actual	2019-20 Actual
Percentage of internal audit plan delivered (to draft report stage)	95%	100%	93%
Positive customer survey response			
<ul style="list-style-type: none"> <li>Winchester City Council</li> </ul>	90%	n/a	100%
<ul style="list-style-type: none"> <li>SIAP – all Partners</li> </ul>	90%	99%	98%
Public Sector Internal Audit Standards	Compliant	Compliant	Compliant

*Customer satisfaction has been assessed through response to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process throughout the year.*

## 10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey  
Deputy Head of Southern Internal Audit Partnership  
July 2020

## Annex 1

## 2019-20 Audit Reviews and Opinions

Substantial Assurance	Adequate Assurance	Limited Assurance	No Assurance
<ul style="list-style-type: none"> <li>1. Financial Stability (draft final)</li> <li>2. Emergency Planning</li> <li>3. Environmental Services Contract (Procurement)</li> <li>4. Council Tax</li> </ul>	<ul style="list-style-type: none"> <li>1. Programme and Project Management</li> <li>2. Transformation</li> <li>3. HR – Absence Management</li> <li>4. HR – Recruitment</li> <li>5. Information Governance – FOI</li> <li>6. Ethical Behaviours</li> <li>7. Procurement (draft final)</li> <li>8. Planning &amp; Open Spaces (Including Community Infrastructure Levy)</li> <li>9. Housing Finance – Garage Rents</li> <li>10. Accounts Payable</li> <li>11. Payroll</li> <li>12. Income Generation and Collection (Including Cash Handling)</li> <li>13. Reconciliations</li> </ul>	<ul style="list-style-type: none"> <li>1. Working in Partnership (draft report)</li> <li>2. IT Back-ups</li> <li>3. Tourist Information Centre</li> </ul>	None