

# Annual Internal Audit Report & Opinion

2020-21

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:

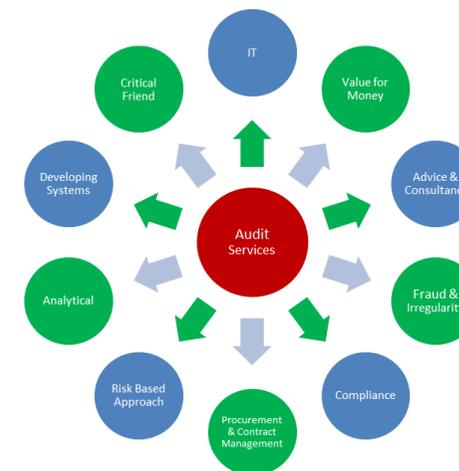
- Level of assurance required;
- Significance of the objectives under review to the organisation's success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

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.

The impact of COVID-19 during the year has had a significant impact on the way we have worked and interacted. The enforced central government directive 'if you can work from home, you must do so' has required the Southern Internal Audit Partnership to adopt a revised operating model and innovative approach to virtual auditing.

Work contributing to my 2020-21 annual opinion has all been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings.

I am confident that the revised operating model has not compromised quality or SIAPs ability to complete assurance work throughout the year or the conclusion drawn. I would wish to extend my appreciation to Council officers with whom we have worked during the year for their support, cooperation, and seamless transition to the virtual audit approach without which the delivery of an annual opinion would not have been possible.



### 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 2020-21*

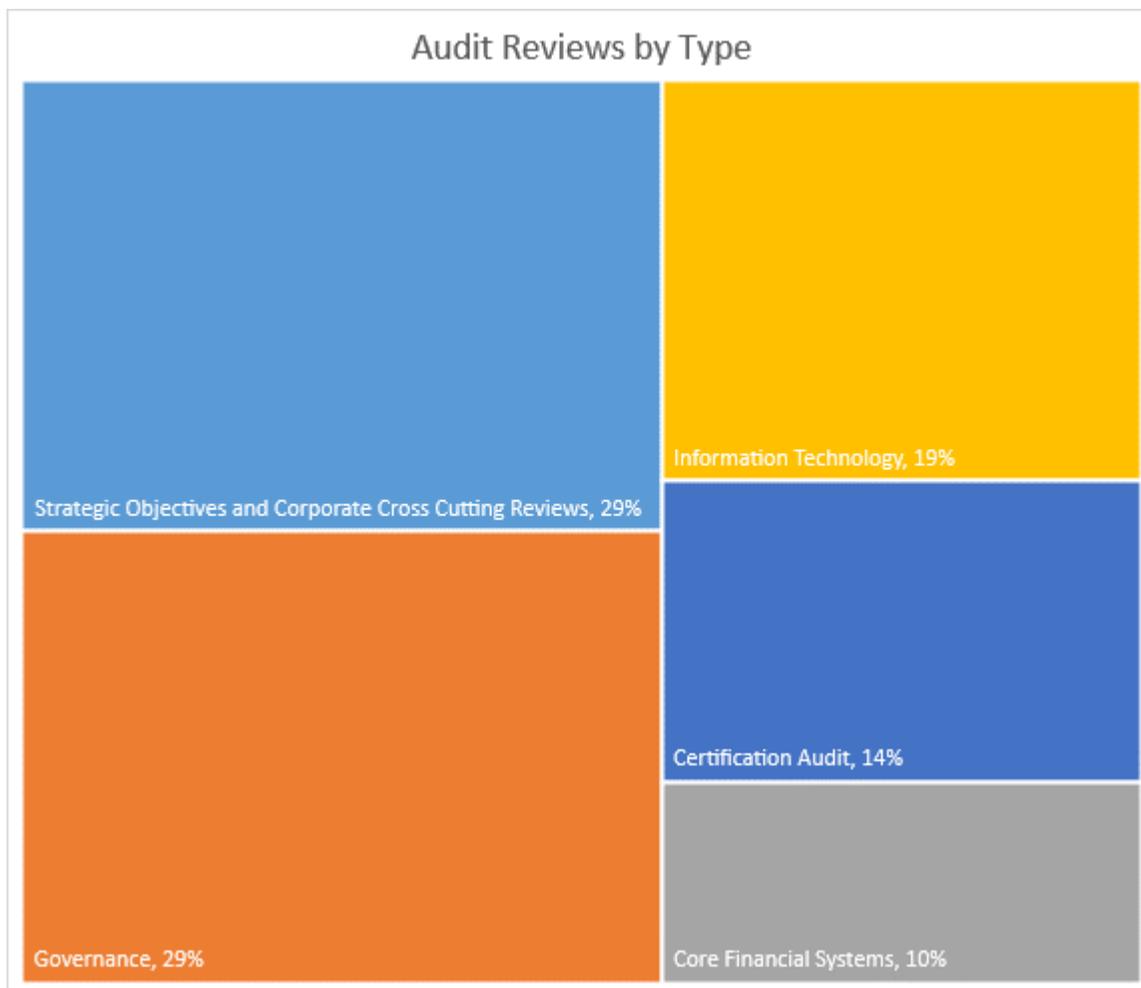
*"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Winchester City Council's internal control environment.*

*In my opinion, Winchester City Council's framework of governance, risk management and control is 'Reasonable' 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 2020-21 Internal audit plan, approved by the Audit & Governance Committee in March 2020, 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.

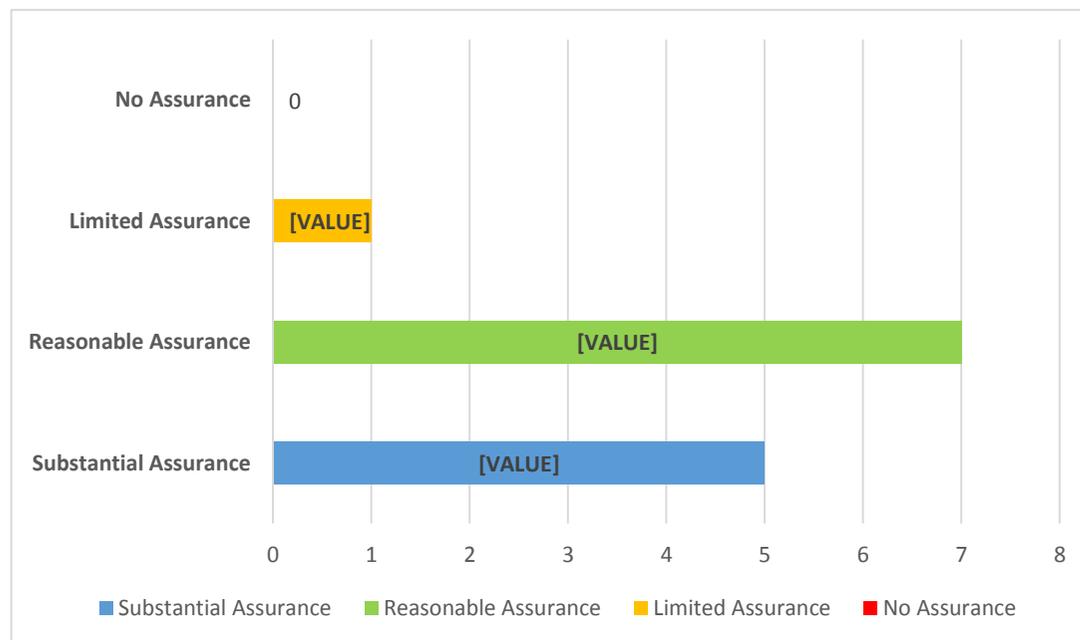
The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working across the Council. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 21\* reviews during the year ending 31 March 2021.

Due to the significant impact and subsequent challenges posed by the coronavirus pandemic (Covid-19), there has been an inevitable impact on the delivery of the revised 2020-21 internal audit plan. At the time of reporting, two reviews have significantly progressed however remain work in progress therefore an opinion has not been formed in respect of Cyber Security and ICT Business Continuity.

Work is substantially complete, and an opinion has been formed for a further two reviews (Information Governance – Records Retention; and ICT - Patch Management) although final reports have not yet been agreed. I do not expect the outcomes of these reviews to change or adversely impact my annual opinion.

A list of the 2020-21 assurance reviews undertaken and their respective opinions is provided in Annex 1. The opinion assigned to each internal audit review, including draft reports, is summarised below:



**Substantial** –A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**Reasonable** - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

**Limited** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

**No** - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

\* 6 reviews did not culminate in an audit opinion. HR Performance Management concluded with a position statement, we facilitated the National Fraud Initiative activities and completion of the CIPFA fraud Survey; and we completed certification audits in the following areas:- COVID Compliance and Enforcement Grant; Bus Service Operators Grant and the Mayor’s Charity Account.

## 5. Key Observations

We are pleased to report that there were no 'No Assurance' opinions issued during the year. In general, internal audit work found there to be a sound control environment in place across the majority of review areas that were working effectively to support the delivery of corporate objectives, however one review has concluded with a 'Limited Assurance' opinion as summarised below:

### **Information Governance – Record Retention (draft report) - Limited Assurance Opinion**

A Privacy Policy is published on the City Council's website stating why personal data is collected and how personal information is used and follows the requirements of the UK's General Data Protection Regulations (GDPR) guidance. Possible data breaches are recorded and investigated to identify what action is to be taken to improve learning to mitigate against possible future data breaches. The Council has an Information Management and Technology (IMT) Security and Conduct Policy, last updated January 2021, which is required to be understood and signed up to by all staff. Staff have access to training and receive updates to promote their understanding of their responsibilities in relation to data protection, GDPR and records retention, and training is monitored to ensure staff complete the required data protection training. Archived paper records are secured in a safe location with only appropriate personnel able to access them.

The audit identified the following areas for improvement. Whilst a retention and disposal policy has been published for staff to ensure their understanding of the requirements when handling personal data, the policy has not been recently reviewed and refreshed. Some departments have their own retention schedules and there is no mechanism in place to ensure corporate consistency. An Information Asset Register was developed in May 2018 for the implementation and compliance with GDPR however the register has not been reviewed or refreshed since it was developed. Some physical records are being retained beyond the assigned retention dates. At the time of reporting, and in respect to a sample of documents selected for the audit, no confirmation/certification had been received to confirm the secure destruction of documents undertaken by a by a third-party contractor. Current system reporting does not support the ability to identify unnecessary or inappropriate storage of records within staff personal folders which could breach the IMT Security and Conduct Policy. Some individual IT systems, such as IDOX and SharePoint do not have default retention parameters set, although it would be possible to activate the functionality within the systems. Currently, there is no formal plan to confirm retention parameters, which, until agreed, does not enable the functionality within the systems to be implemented and support stronger compliance with data protection retention and disposal requirements.

## 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 2020.

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

*‘The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.’*

## 7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through 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 2020-21 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
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

## 9. Internal Audit Performance

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

Performance Indicator	Target	2020-21 Actual
Percentage of internal audit plan delivered (to draft report stage)	95%	90%
Positive customer survey response		
<ul style="list-style-type: none"> <li>• Winchester City Council</li> </ul>	90%	100%
<ul style="list-style-type: none"> <li>• SIAP – all Partners</li> </ul>	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

*Customer satisfaction was collated for SIAPs EQA and is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date May 2020).*

## 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  
May 2021

## Annex 1

## 2020-21 Audit Reviews and Opinions

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
1. Programme and Project Management 2. Housing Asset Management – Gas Safety 3. Environmental Services Contract 4. Business Continuity 5. Treasury Management	1. Building Control 2. Capital Programme and Monitoring 3. Contract Management 4. Health and Safety 5. Accounts Receivable 6. Secure e-mail 7. (ICT) Patch Management (draft)	1. Information Governance – Records Retention (draft)	None

\* 6 reviews did not culminate in an audit opinion. HR Performance Management concluded with a position statement, we facilitated the National Fraud Initiative activities and completion of the CIPFA fraud Survey; and we completed certification audits in the following areas:- COVID Compliance and Enforcement Grant; Bus Service Operators Grant and the Mayor's Charity Account.