



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

**WINCHESTER CITY COUNCIL ANNUAL INTERNAL
AUDIT REPORT OPINION 2021-22**

Annual Internal Audit Report & Opinion 2021-2022

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July 2022

Contents

| Section | Page |
|--|-------------|
| 1. Role of Internal Audit | 2 |
| 2. Internal Audit Approach | 3 |
| 3. Internal Audit Coverage | 4 |
| 4. Internal Audit Opinion | 5 |
| 5. Governance, Risk Management & Control – Overview & Key Observations | 6-10 |
| 6. Quality Assurance and Improvement | 11 |
| 7. Disclosure of Non-Conformance | 11 |
| 8. Quality control | 12 |
| 9. Internal Audit Performance | 12 |
| 10. Acknowledgement | 13 |
| Annex 1 – Summary of Audit Reviews Completed 2021-22 | 14-16 |

1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

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

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisation's success.
- Risks inherent in the achievement of objectives.
- 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 Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

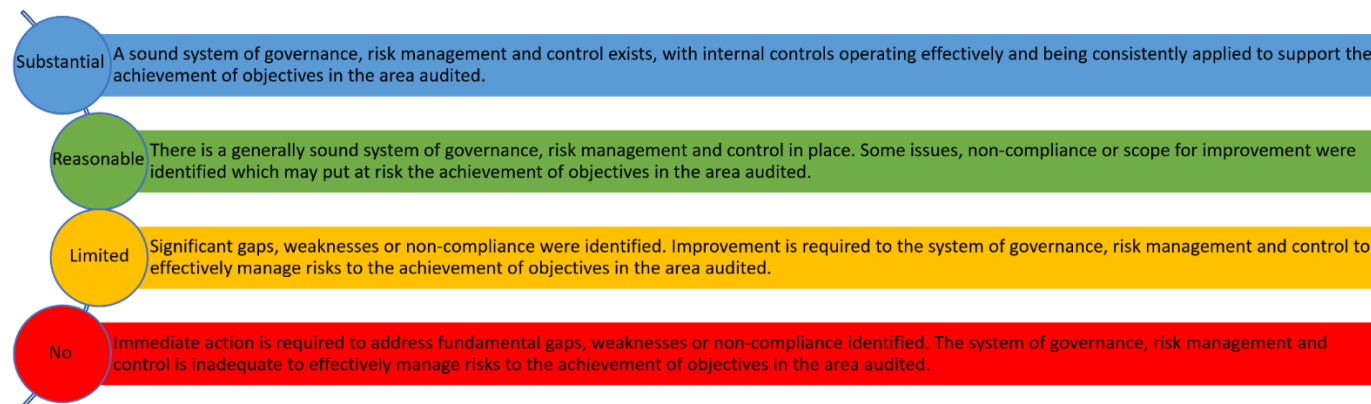
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

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 to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2021-22 internal audit plan was considered by the Audit and Governance Committee in March 2021. It was informed by internal audit's 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 and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Executive Leadership Team and Corporate Head of Finance and reported to the Audit and Governance Committee in the internal audit progress reports which were reviewed at each meeting.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual 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.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place actions to mitigate weaknesses impacting on organisational governance, risk and control over the 2021-22 financial year.

Annual Internal Audit Opinion 2021-22

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 the internal control environment.

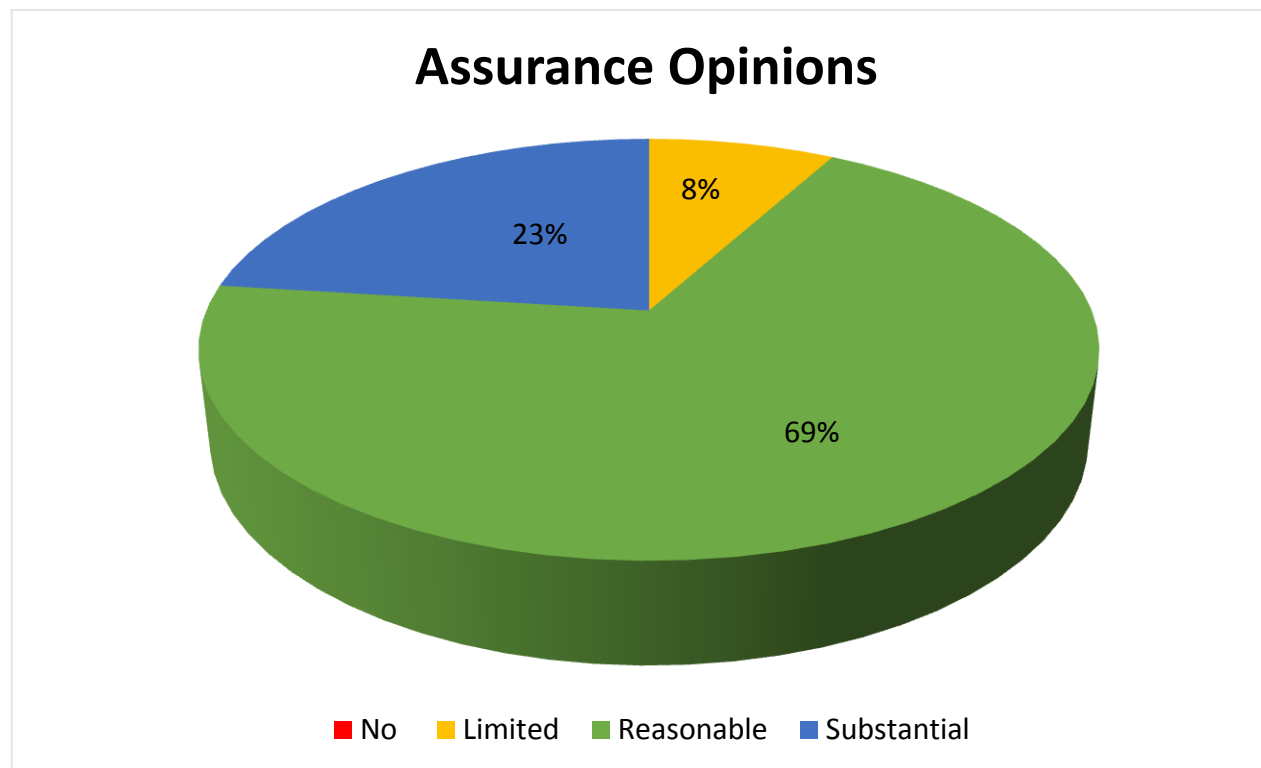
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

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

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2021-22 reviews

Significant findings from our reviews have been reported to the Audit and Governance Committee throughout the year and a summary of the assurance opinions is outlined below.



The original internal audit plan agreed by the Audit and Governance Committee in March 2021 included six reviews relating to the Council's priorities and key ambitions highlighted within the Council Plan 2020-2025:

- Working in Partnership;
- Energy Management / Climate Emergency / Green Agenda;
- Asset Management (Corporate Estate);
- NNDR;
- Information Governance; and
- Open Spaces.

Due to the ongoing pressures presented by the COVID-19 pandemic the Council concluded that in prioritisation of their resources and to relieve pressure on some teams, they did not feel they had sufficient officer capacity to facilitate the conclusion of the originally agreed Internal Audit Plan for 2021-22. The Council's S151 and Monitoring Officers requested that these reviews were deferred. With these areas directly contributing to the Council Plan priorities, it is imperative that an adequate level of assurance is attained over the framework of governance, risk, and control in which it operates therefore provision has been incorporated within the 2022-23 audit plan.

I am satisfied that sufficient work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment for 2021-22 however the absence of such assurance for a second year may affect our ability to provide an overall opinion on the Council's framework of governance, risk and control for 2022-23.

Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

Based on the work completed during the year and observations through our meetings with the management team and attendance at Audit and Governance Committee meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and

subject to regular review. There is also appropriate reporting to the Audit and Governance Committee to provide the opportunity for independent consideration and challenge including the Annual Governance Statement.

Risk management

We reviewed risk management arrangements in the Council during 2021-22 which resulted in a reasonable assurance opinion.

The Council has a comprehensive, up to date Risk Management Policy that is communicated to staff and Members. Roles and responsibilities for risk management are clearly defined and documented in the Policy and included within the Audit and Governance Committee's Terms of Reference.

Corporate and operational risks registers are in place, with appropriate risks and associated mitigating controls recorded. Corporate risks have been scored and prioritised in line with the Risk Management Policy, and all risks have been assigned an owner who is responsible for managing the risk and ensuring that the mitigating controls are in place and operating effectively. Operational risk registers are reviewed and updated at least annually as part of the Service planning process. Separate risk registers are also in place for specific programmes and projects, with key risks reported to the Programme Management and Capital Board for monitoring as part of their monthly meetings. There is an escalation route for operational or programme risks to the Corporate risk register should risk scores increase to be in excess of the risk tolerance level.

A section on risk management is included in all reports to Members to ensure they are made aware of any risks impacting on the decisions to be made.

The audit identified some inconsistencies with the scoring of risks, and with the terminology used, within operational risk registers as some terms, e.g. residual and target risk score, were not defined within the Policy. The frequency of formally reporting the Corporate Risk Register to ELB was also not in line with the Policy. Appropriate actions and timescales to address the observations made within the audit have been agreed.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2021-22 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed.

One audit concluded with a 'Limited Assurance' opinion as summarised below:-

Disabled Facilities Grants – (previously reported to Audit and Governance Committee in March 2022)

A Disabled Facilities Grant (DFG) Policy and operational procedures are available electronically and are easily accessible to all staff. They include statutory requirements and clearly define roles, responsibilities and segregation of duties. However, discussion and observations made during the audit confirmed that they are overdue for review and updating and did not match all current practices.

Case information is stored on Uniform, a DFG spreadsheet and a property file, which is created for each case. The audit confirmed that all cases tested are supported by an Occupational Therapist referral; evidence of ownership of the property and agreement to works being completed on properties; and checks carried out to ensure any previous work completed for the client or on the applicant's property was considered prior to grant approval, in line with the DFG policy. However, the audit has also found numerous examples across several cases, where documentation to support the application, subsequent DFG award and completion of works were missing or incomplete.

Regular and final inspections should be carried out by the case officer or Occupational Therapist depending on the type of work, to assess progress, discuss or resolve any practical matters or agree unforeseen works. It was confirmed that if these inspections take place, they are not documented. The DFG policy states, as part of the quality and performance checks, that a customer service questionnaire should be sent out. However, these were not being sent to customers. There were also no other tools in place for performance monitoring.

The Council holds a list of approved contractors and specialist agents capable of completing DFG works. The DFG Policy states that the Council should offer an invitation to tender for any potential contractors on a 2 yearly basis. However, it was confirmed that the latest invitation to tender was overdue.

Issues were also been identified with amending purchase orders with contractors for additional agreed works, invoicing for client contributions and with the monitoring and reconciliation of grant income and expenditure against the finance system.

A specific risk assessment had been set up and circulated following Covid-19 restrictions, however the completion of it by staff was not monitored and the current expectation regarding its completion had not been formally communicated.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Regular progress updates are provided to the Audit and Governance Committee through the quarterly governance reports on the status of pending, complete and overdue actions, including reasons for any delays with implementing actions by the originally intended target date.

6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (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 provision for 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 International Professional Practices Framework (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 2021-22 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.
- 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 | Actual |
|---|-----------|-----------|
| Percentage of internal audit plan delivered (to draft report) | 95% | 94% |
| Positive customer survey response | | |
| ● Winchester City Council | 90% | 99% |
| ● SIAP – all Partners | 90% | 99% |
| Public Sector Internal Audit Standards | Compliant | Compliant |

Customer satisfaction 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 April 2022).

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 2022

Annex 1

Summary of Audit Reviews Completed 2021-22

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.

| Review area | Summary |
|--|--|
| Strategic Planning and Performance Management | This audit considered the processes followed leading to the refresh and approval of the Council Plan, the production and approval of the Strategic Service Plans and the performance monitoring and reporting arrangements that supports the achievement of the Council Plan priorities. A robust framework is in place and no issues were identified. |
| Overtime and Expenses | The review found that all claims for mileage, expenses and overtime are approved, supported with appropriate evidence, and are claimed in line with documented policies & procedures. Robust controls to ensure payments through payroll are complete, accurate and timely. |
| Land Charges | This audit reviewed the controls in place to ensure Local Land Charges search requests are processed in line with national guidelines and local processes. A sound control framework ensures that searches are conducted accurately, in line with national guidelines & timescales; fees charged match published rates; and the local register is secure from unauthorised access/data loss. |

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.

| Review area | Summary |
|-------------------------|---|
| Risk Management | The scope of this review assessed the risk management processes within the Council and confirm whether Corporate, operational and project risks are identified and managed appropriately. A sound framework of control is in place although some inconsistencies were found within the operational risk registers and with the frequency of reporting Corporate risks to ELB. |
| Winchester Sport | There are generally sound governance arrangements in place to ensure the successful delivery of services in line with the contract |

| | |
|---|--|
| and Leisure Park and Meadowside Leisure Centre - Contract Management | including documented processes, regular meetings with the operator to discuss performance and appropriate financial controls. A dedicated Contract Manager Post has been created and was being recruited to at the time of the audit. We noted, however, that contract management team did not have copies of the final versions of the main contract or the variation to the contract or have documented evidence confirming changes to terms and costs basis. The performance monitoring system had also not been updated since 2018 to reflect changes and did not include Meadowside Leisure Centre. |
| HR – Staff Benefits | The promotion of Employee Benefits to support recruitment and retention of staff is included within the Council Plan and Employee Strategy. Clear information is issued to new and existing employees on the benefits available and how to access them. However there has not been a recent review of the scheme to ensure the benefits provided remain relevant to staff or an assessment on current levels of uptake. We also noted some recent recruitment adverts did not make explicit reference to the benefits available to help maximise potential candidates. |
| ICT - Cyber Security | This review assessed how staff are made aware of cyber threats and their role in cyber defence, the completion and monitoring of cyber security training and the awareness of the risks introduced by home/remote working. In general, effective training and on-going communications are provided and attendance at training events/e-learning completion rates are very high. At the time of review, no exercises (such as fake phishing email campaigns) had been completed and Members were not required to undertake cyber awareness training although there were plans in place to promote the training and undertake staff awareness exercises. |
| ICT - Business Continuity and Disaster Recovery Planning | The scope of the audit was to assess the arrangements to recover systems and data in the event of a major incident or failure. We found a sound disaster recovery solution is in place enabling the Council to restore critical systems and data; and documented plans including business impact assessments, which determine the actions required, sequence, priority and timescales for restoring services. However, no recent full recovery testing had taken place as the test scheduled for April 2020 was suspended due to the pandemic and on-going pressures have prevented tabletop simulated exercises to test different disaster scenarios. |
| ICT - Incident and Problem Management | This review focused on the governance, procedures and processes in place to identify, record, resolve and close IT incidents and problems, and the action taken to prevent future occurrence. There is a sound system of governance and control to identify, record, prioritise and manage incidents through to resolution. Problems are identified through ongoing trend analysis and escalated within IT or to a relevant third party with the relevant expertise to resolve. At the time of the audit, there was not an IT service improvement plan including Service Desk performance to ensure it reflects the Council's requirements. |
| ICT - User Lifecycle & Access Management | There is generally a sound framework to manage starters, changes and leavers IT user access to the network and systems. Third party and high privilege accounts are effectively managed. Opportunities exist to manage unused accounts and user access permissions more efficiently and effectively. |
| ICT - Asset Management | The review found the Council's Asset Management Database is accurate, up to date, and reflects assets from acquisition to secure disposal. Opportunities exist to reduce the number of staff who have access to the database, updating documentation and introducing performance measures. |

| | |
|---|--|
| Housing - Leaseholder Management | The scope of the audit included service charge accounting, the Right to Buy scheme, new sales (shared ownership), income recovery, lease management, asset management and customer relations. The audit assessed whether the recommendations from the Housing Quality Network's 2019 'critical friend' review have been appropriately implemented and that corrective actions have been made following the review. There is generally a sound governance framework in place although the audit identified opportunities to improve debt management and performance management. |
|---|--|

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.

| Review area | Summary |
|-----------------------------------|--|
| Disabled Facilities Grants | The audit assessed the governance framework to ensure Disabled Facilities Grants are awarded appropriately, in line with legislation. The audit found numerous examples of missing and incomplete documentation; out of data policies and procedures; an absence of performance monitoring; and opportunities to improve financial controls. |

In response to the COVID pandemic, WCC developed a one-year tactical High Street's Priority Plan, designed to reinvigorate the high street, supporting businesses to reopen and to enable people to enjoy social and cultural experiences, with a view to developing a long-term strategic plan. The High Street's Priority Plan was developed under urgent circumstances during the COVID pandemic. Internal Audit provided a consultancy-based piece of work to ascertain the progress made to date and potential areas for improvement. It is anticipated that the findings from this review will help to inform the compilation and implementation of the wider strategic plan.

Other 'non-assurance' work related included certifying the Council's application of the Bus Services Operator Grant was in line with the grant determination conditions, the annual audit of the Mayor's Charity Account and facilitating the Council's participation in the National Fraud Initiative.