
Southern Internal Audit Partnership

Assurance through excellence
and innovation

WINCHESTER CITY COUNCIL

Annual Internal Audit Report & Opinion 2023-24

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June 2024

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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.

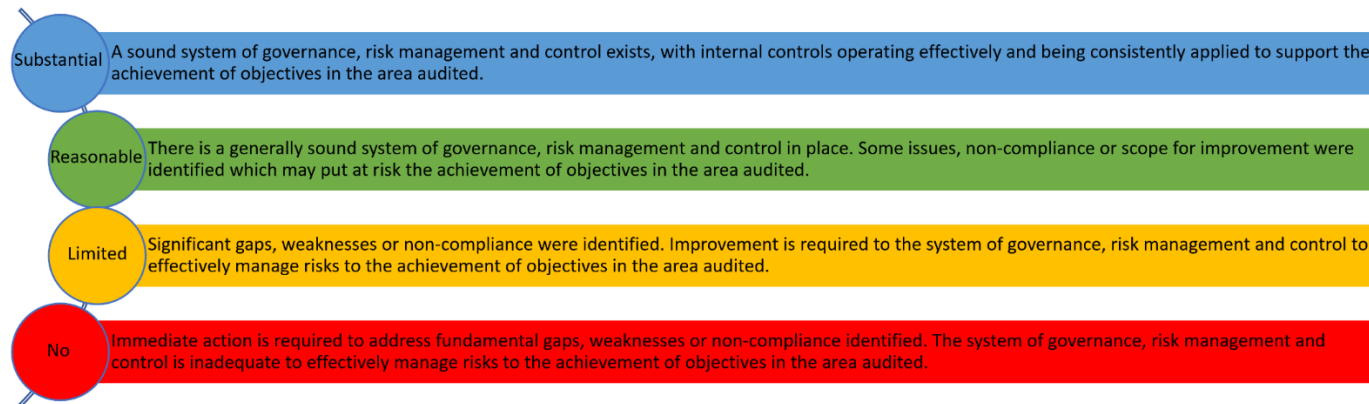
Working practices have been reviewed, modified and agreed with all partners seeking to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on 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 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 2023-24 internal audit plan was considered by the Audit and Governance Committee in March 2023. 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 Board 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 action to mitigate weaknesses impacting on organisational governance, risk and control over the 2023-24 financial year.

Annual Internal Audit Opinion 2023-24

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.

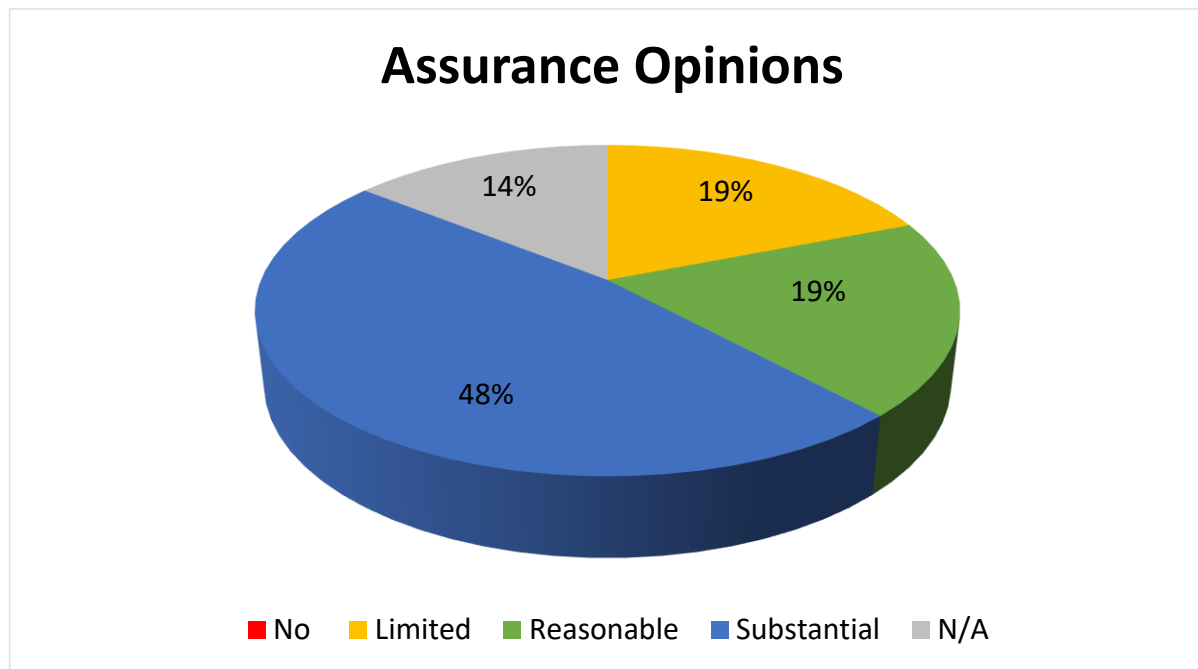
In my opinion, frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

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 2023-24 reviews

The 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, with further information provided in Annex 1.



N/A relates to audit work which does not culminate in an assurance opinion as these relate to certification of both the Bus Service Operator Grant and Mayor's Charity Account, and facilitation of the National Fraud Initiative.

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 in our opinion the governance frameworks in place across the Council are generally robust, fit for purpose and subject to regular review.

Risk management

We reviewed risk management arrangements during 2023-24 which resulted in a 'Substantial 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. ELB review the Corporate and Operational Risk Registers quarterly and the Audit and Governance Committee receive regular updates on the Corporate Risk Register and approve the Risk Management Policy each year. Risk management is also embedded within project and programme management.

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 2023-24 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.

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. It is expected that areas of challenge will be identified through our audit work. We are pleased to report that no audits concluded with a 'No Assurance Opinion' however four reviews concluded with a 'Limited Assurance Opinion'.

Asset Management – Corporate Estate

The audit reviewed the Council's arrangements for the maintenance and repair of non-housing stock corporate estate assets, including leased properties and community assets. The review identified that there is no single system in place to identify and set out all relevant properties with their respective lease terms and WCC obligations in relation to statutory checks or fire safety.

We were able to confirm that various statutory maintenance checks had been performed in 2023 including Fire Safety, Lifts, Gas & Heating and Legionella. Whilst evidence was provided to support the individual arrangements, in the absence of a single reliable system, it was not possible to provide assurance for the completeness and timeliness of the checks. There was also no documented schedule to show when each of these checks were due, completed, or any diary system to highlight when they would become overdue.

Although it was possible to obtain evidence of remedial works being identified and subsequently carried out, there was no formal method of documenting and tracking this for each type of statutory check. There was no documented schedule for 5 to 10 yearly condition surveys to be performed or records kept of previous checks, and no documented schedule for annual visual inspections or record of their completion.

The current arrangements are reliant upon the knowledge of the officer involved and prevent effective monitoring and reporting in respect of checks and repairs being carried out. The reliance upon officer knowledge also presents a business continuity risk.

Mobile Device Management (Draft final)

The audit focussed on the arrangements for managing the Council's mobile devices. At the time of the review, due to delays in the project to move to a new solution for mobile device management, the project was approximately 85% complete, therefore many of the issues flagged were addressed during the course of the audit or would be resolved upon completion of the project.

Income collection, banking and stock control – Visitor Information Centre

The audit found good processes and practices in many areas including cash handling and secure holding prior to banking; regular reconciliation of sales recorded on the tills to information recorded within the financial system; purchasing; and displaying/storing valuable items. However, only annual stock takes were being undertaken and a number of issues were identified with stock accounting procedures which contributed towards a write off of stock values at the end of 2022/23.

It is noted that separate reviews of Income Collection and Banking within the Central Offices and within the Guildhall concluded with a 'Substantial' assurance opinion and 'Reasonable' assurance opinion respectively.

Tree Management (Draft)

There is an up to date Tree Management Strategy which includes priority ratings / the frequency at which all trees should be inspected (1 year, 3 years and 5 years, respectively). The required inspection frequency is recorded on the Ezytreev system, however we could not evidence any monitoring of inspections and records held are not up to date, therefore may not be reflective of the current condition of the trees. There is an up to date procurement framework for contracting tree work, however we could not evidence that the contractor's work is inspected upon completion or monitoring of their performance.

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. Progress is reported to the Audit and Governance Committee throughout the year through the regular Governance Monitoring Reports which incorporates the Internal Audit Progress Reports.

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 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 2023-24 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- 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 internal 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%	91%
Positive customer survey response - SIAP – all Partners	90%	98%
Positive customer survey response – Winchester City Council	90%	100%
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 2024).

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

June 2024

Annex 1

Summary of Audit Reviews Completed 2023-24

Work is substantially complete for the audits of Decision Making and Accountability and Accounts Receivable/Debt Management however these have not sufficiently progressed to include within this annual report and will therefore contribute towards the 2024-25 Annual Internal Audit Report and Opinion.

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.

Capital Programme and Monitoring

Business Continuity

Risk Management

Human Resources – Absence Management

Housing Rents

Housing Benefits & Council Tax Reduction Scheme

Income Collection and Banking – Central Offices

Building Control

Green Economic Development Strategy (Draft)

Housing Management, Enforcement and Homelessness - New Homes Scheme

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.

Human Resources – Recruitment

Income Collection and Banking – Guildhall

Virtualisation (Draft Final)

Food Safety Inspections – Recovery Plan (Draft)

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.

Asset Management (Corporate Estate)

Income Collection, Banking and Stock Control – Visitor Information Centre

Mobile Device Management (Draft Final)

Tree Management (Draft)