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# **Southern Internal Audit Partnership**

Assurance through excellence  
and innovation

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## **WINCHESTER CITY COUNCIL**

### **Annual Internal Audit Report & Opinion 2022-23**

**Prepared by: Antony Harvey, Deputy Head of Partnership**

**June 2023**

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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.

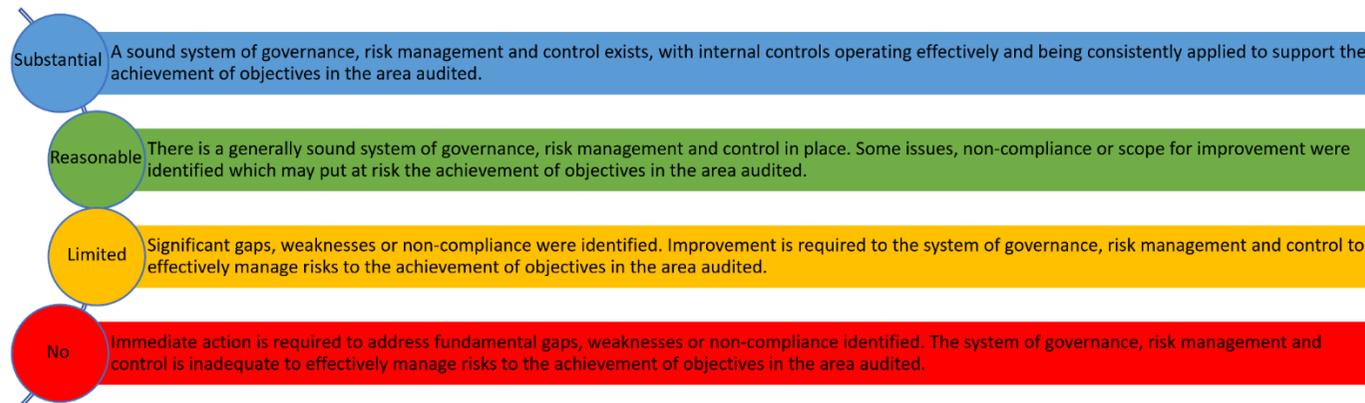
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the 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 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 2022-23 internal audit plan was considered by the Audit and Governance Committee in March 2022. 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 2022-23 financial year.

### Annual Internal Audit Opinion 2022-23

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.

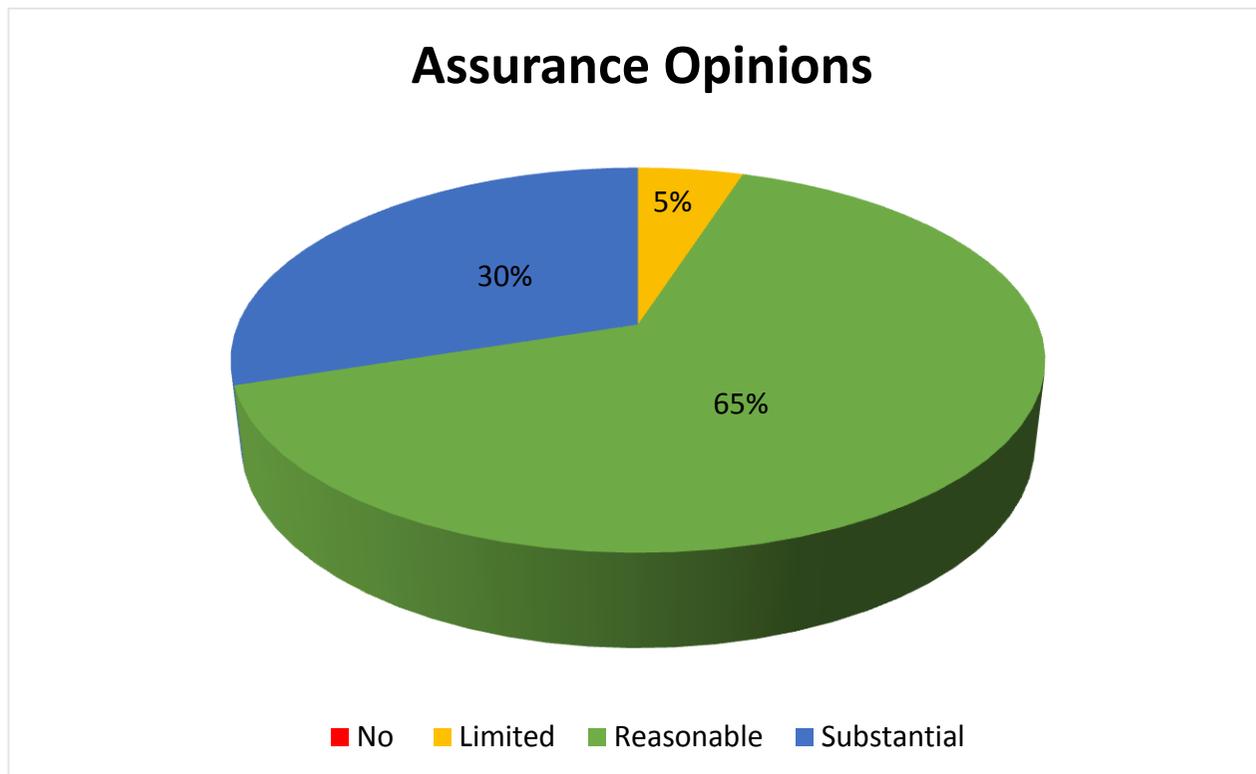
In my opinion, frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

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 2022-23 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 a brief summary of each individual review and other audit activity provided in Annex 1.



## 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.

In addition, during 2022-23 we undertook a review of the Corporate Governance Framework and Complaints which concluded with a 'Reasonable Assurance Opinion'.

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 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:-

*'Overview the Council's risk management arrangements and provide independent assurance of the adequacy of the risk management framework.'*

This has been supported throughout the year through the opportunity to review and comment on the Risk Management Policy 2022-23 in March 2022 prior to Cabinet approval; through regular updates of the Corporate Risk Register within the Governance Monitoring Reports; and via a workshop, facilitated by Tillia Solutions, with Cabinet and Audit & Governance Committee members.

## 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 2022-23 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.

We are pleased to report that no audits concluded with a 'No Assurance Opinion' although only one review concluded with a 'Limited Assurance Opinion' (please refer to summary, provided at Appendix 2 as an exempt paper).

## 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 2022-23 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 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%	93%
Positive customer survey response - SIAP – all Partners	90%	99%
Positive customer survey response – Winchester City Council	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 2023).*

## 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 2023

## Annex 1

## Summary of Audit Reviews Completed 2022-23

Work is substantially complete for the audits of Asset Management (Corporate Estate) and Housing Rents however these have not sufficiently progressed to include within this annual report and will therefore contribute towards the 2023-24 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.

Review area	Summary
<b>Financial Stability – Budget Setting, Monitoring and Reporting</b>	The audit established there is a robust framework for reviewing, updating and approving the Medium-Term Financial Strategy (MTFS) and 10 year rolling Capital Investment Strategy prior to approval by Cabinet each year; key staff are involved in the annual budget setting process prior to approval by Full Council; there is effective, regular budget monitoring for both revenue and capital which informs quarterly reporting to ELB and Members; with no issues identified.
<b>Information Governance – FOI/EIR/SAR</b>	There are effective arrangements to help ensure that Freedom of Information (FOI), Environmental Information Requests (EIR) and Subject Access Requests (SAR) are responded to in line with statutory requirements (including refused requests and corresponding appeals if applicable); with an opportunity to improve by communicating if a request will be delayed.
<b>Human Resources – Policies and Procedures</b>	We compared the Council’s HR policy coverage at a summary level to guidance from the Chartered Institute of Personnel and Development and found that all key recommended areas had been included within the variety of policies. A detailed review of six policies found all clearly defined the overriding principles, processes, responsibilities and decision-making powers required to achieve prescribed outcomes, with minor enhancements identified for consideration within future updates.
<b>Council Tax</b>	There is a robust framework to ensure Council Tax bills are accurate, complete and correctly recorded; new properties are billed; valuation updates are identified; reliefs, exemptions and discounts are correctly awarded and supported with appropriate evidence; refunds are valid, accurate, processed promptly and paid to the correct recipient; and debts are identified and pursued. Write-offs had been initially suspended due to the Covid pandemic and latterly due to the additional demands placed upon the team by Central Government, however at the time of testing, work was underway to address the backlog and re-instate business as usual processes.

<b>Payroll</b>	There is an effective framework to ensure the payroll is complete, accurate, and paid on time, with starters and leavers processed promptly; appropriate segregation of duties throughout the payroll processes; and appropriate system accesses & restrictions. The arrangements for paying for electoral duties was also included within the review with no issues identified.
<b>Housing and Homelessness – Housing Allocations</b>	The audit established there is a sound framework which allows residents to apply for social housing through the use of a bidding system; with clear and transparent eligibility criteria for assessing applications and allocating housing through the Hampshire Home Choice Scheme. Eligibility assessments; requests for further information; communicating outcomes (including non-qualifying applications and subsequent ‘requests for review’) are prompt and consistent; with effective performance monitoring and reporting including a quarterly Housing Report to senior management and Members.

**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
<b>Programme and Project Management</b>	The Council have developed a high-level Project Management Framework, including standard document templates, to help ensure projects are effectively and consistently managed. At the time of review, however, the use of the framework had not become embedded as none of the projects (one from each of the four project Tiers) were utilising the framework. Whilst each of the approved projects were being managed, the approach was not consistent, with opportunities to improve project planning, on-going management and reporting identified with the projects; which would be achieved through consistent use of the framework.
<b>Carbon Neutrality Action Plan</b>	The Carbon Neutrality Action Plan (2020-2030) outlines the actions the Council propose to take to become carbon neutral, including targets for service areas and the measures required to achieve the targets. There is a generally sound governance framework, with opportunities to further enhance the arrangements and performance reporting, to help ensure the plan is achieved.
<b>Health and Safety</b>	There is a generally sound governance framework for planning and managing Health and Safety activities, including the investigation of accidents and acts of aggression or violence, with opportunities to improve including the update or development of specific operational procedures; central recording, monitoring and oversight of H&S risk assessments; and formal reporting to Members.
<b>Procurement</b>	There is an effective, well documented framework to support officers through the various procurement routes, with testing confirming the correct processes followed, with an opportunity to further enhance the framework through the introduction of periodic spend analysis to identify aggregated expenditure with individual suppliers where a contract or framework agreement should be in place, or identify instances where the correct processes had not been followed so appropriate action can be taken to

	help prevent future issues.
<b>Contract Management</b>	There is an effective, well documented contract management framework, setting out the expected activities (including frequency) for managing high, medium and low risk contracts, established through a contract risk assessment; with contracts managed appropriately in line with the assessed level of risk. At the time of the audit, we identified six contracts exceeding £5k that had not been published on the Contracts Register; one contract that had not been signed by the supplier; and one arrangement for approximately £180k with no contract in place.
<b>Corporate Governance Framework and Complaints</b>	The audit identified an established corporate governance framework, which is adhered to, in accordance with the 'CIPFA Delivering Good Governance in Local Government: Framework'; and a sound process for reviewing and responding to complaints on a timely basis; with opportunities to further enhance the arrangements implemented during the course of the audit / which are currently being addressed through the review of the constitution.
<b>NNDR</b>	There is a robust framework to ensure NNDR bills are accurate, complete and correctly recorded; new properties are billed; valuation updates are identified; reliefs are correctly awarded and supported with appropriate evidence; refunds are valid, accurate, processed promptly and paid to the correct recipient; and debts are identified and pursued. Write-offs had been initially suspended due to the Covid pandemic and latterly due to the additional demands placed upon the team by Central Government, however at the time of testing, work had not commenced to address the backlog and re-instate business as usual processes.
<b>Accounts Payable</b>	The audit confirmed that Purchase Orders are raised in advance of payments being made; invoices are paid promptly upon receipt; checks are performed to identify potential duplicate payments for investigation; payment runs are checked for accuracy and completeness; and new suppliers are only created upon receipt of all necessary information. Whilst most operational processes have been documented, the audit identified some missing or out of date processes; and transparency data relating to payment of supplier invoices which had not been published for several years.
<b>Main Accounting and Reconciliations</b>	The audit identified that all bank accounts were reconciled on a monthly basis; manual journals are supported by appropriate documentation and are approved; and automatic journals created via an interface to import data from various feeder systems are checked for accuracy. Prior to the introduction of a new monitoring procedure in November 2022, whilst a variety of reconciliations were regularly taking place, these were not consistently, or fully completed on a timely basis. Following the implementation of the revised procedure, we confirmed the situation has improved as, for example, all 19 suspense accounts are now consistently reviewed and reconciled.
<b>Housing Asset Management – Responsive Repairs</b>	The review confirmed there are appropriate systems in place for reporting, recording and categorisation of responsive repairs; standard repairs were charged by the contractor in line with the agreed schedule of rates; the budget is regularly monitored; and the target for positive customer satisfaction rate was achieved. Opportunities to improve included enhancing performance monitoring and the resumption of formal, documented contract management meetings (which had been intentionally suspended due to the prioritisation of clearing a backlog of non-urgent repairs which built up as a result of various pandemic lockdowns).

<b>Planning / Development Management</b>	The audit found a robust framework for managing the end to end process from receipt of an application through to the publication of a planning decision; with effective system controls throughout the process to help ensure applications are assessed against local and national requirements by professionally qualified staff; correct fees are received and systems reconcile; and performance is regularly monitored and reported; with opportunities to further enhance so the information recorded is complete and accurate.
<b>Licencing</b>	There is a generally sound governance framework to ensure that all applications for licenses are complete, verified, supported by all necessary documentation, and are appropriately approved prior to issue, with correct fees received in line with published rates. The audit found some procedures require an update to reflect updated licencing practices; reactive inspection and enforcement activities are completed when complaints are received, however no planned, preventative inspections are currently undertaken; and there are no key performance measures for the team. Animal Welfare Licencing was not covered by the audit as this is covered by the Environmental Protection Team due to the specialist training required.
<b>Open Spaces (Play Areas)</b>	The review focussed on the arrangements for inspecting and maintaining play areas and found that inspections are completed by appropriately trained staff, in line with the scheduled frequency, with annual inspections completed by a specialist contractor. Whilst inspections are regularly taking place and reported, there is currently no formal mechanism which consolidates and reflects expected inspections to those undertaken, the outcome of the inspections, any resulting additional, remedial work if required and when this was completed, which would enable performance monitoring and measurement.

**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
	Please refer to the exempt summary (Appendix 2).

Other audit activities completed:-

Facilitation of the National Fraud Initiative; Bus Service Operator Grant (Certified); Mayor’s Charity Account (Certified); Market Manager Contract Procurement – Advisory/critical friend role.

We also completed a follow-up review of Disabled Facilities Grants following the ‘Limited Assurance’ Opinion in 2021/22 and found thirteen (out of sixteen) agreed actions fully implemented with progress being made towards addressing the remaining three actions.