

Internal Audit Annual Report 2018/19



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Introduction – purpose of annual internal audit report

The purpose of the Internal Audit Annual Report is to meet the Service Manager (Internal Audit)'s annual reporting requirements as set out in the Public Sector Internal Audit Standards (the 'Standards') which govern how internal audit teams operate in the public sector and the Accounts and Audit Regulations 2015. In particular to:-

- Include an opinion on the overall adequacy and effectiveness of the council's governance, risk and control framework, and therefore the extent to which the council can rely on it;
- Inform how the audit plan was discharged and the overall outcomes of the work undertaken that supports the annual audit opinion;
- Include a statement on conformance with the Standards and the results of the internal audit quality assurance processes; and
- Draw attention to any issues particularly relevant to the council's Annual Governance Statement

<p>Annual Opinion</p> <p>For the twelve months ended 31 March 2019, based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the West Suffolk Councils arrangements for governance, risk, internal control and its sub-set financial control is:</p>	<p>Governance</p> 	
	<p>Risk</p> 	
	<p>Internal Control</p> 	
	<p>Financial Control</p> 	

Audit Opinion Definitions

Good Assurance	Risks are managed well with no significant (medium risk) or fundamental (high risk) control issues or risks raised.
Reasonable Assurance	In general, risks are managed well. A number of significant (medium risk) control issues and risks have been raised.
Limited Assurance	Management of risks is only partially achieved. Fundamental (high risk) and/or significant (medium risk) control issues and risks have been raised.
No Assurance	Management of risks is not achieved. Fundamental (high risk) and significant control issues and risks have been raised.

In order to make the annual audit opinion more informative and transparent, this year for the first time the opinion has been split into the four constituent elements of governance, risk, internal control, and financial control, and a specific conclusion drawn on each. In previous years an overall opinion was issued covering all four elements.

In future years we will provide a direction of travel for each element of the audit opinion to highlight our view of whether the adequacy and effectiveness of arrangements has changed compared to the previous year.

It should be noted that an opinion of 'Reasonable Assurance' for any of the four opinion elements should be interpreted as a good result, and indicates that in general controls and processes are fit for purpose and working well, while recognising that there are opportunities for further improvements.

Where issues have been raised as a result of audit work undertaken actions have been agreed with management to address any findings raised. Progress against these actions, where not already followed up in 2018/19, will be followed up by internal audit as part of our 2019/20 work plan.

Council services recognise that while they may be delivering a good service they can always improve or look for best practice. They will therefore often proactively engage with internal audit to help achieve this and therefore audit activity in service areas demonstrates the council's culture of continuous improvement.

Governance



Governance comprises the systems, processes, culture and values by which West Suffolk is directed and controlled and through which it accounts to, engages with, and where appropriate, leads its communities.

Each year local authorities are required to reflect on how their governance arrangements have worked – identifying any significant governance issues that should be drawn to the attention of the public – in the interests of accountability and transparency.

No significant governance issues were disclosed in the 2018/19 Annual Governance Statement. The following corporate governance activities were however highlighted:

- preparations made for the new single West Suffolk Council created on 1 April 2019 and its new governance arrangements;
- new project and programme management arrangements; and

- processes and controls developed to comply with new legislation, in particular compliance with the General Data Protection Regulation.

The Performance and Audit Scrutiny Committee helps to ensure that governance arrangements are working effectively through considering reports that come before them, including approval of the Annual Governance Statement.

Further details can be found within the Annual Governance Statement.

Risk



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing quality, cost and affordability. This puts us in a stronger position to deliver our goals and provide excellent services.

Work during the year in this area on which the annual audit opinion on risk is based, included:

- review of risk management arrangements in a number of change programme / significant project areas as well as a number of corporate / business area audits;

- consideration of relevant reports presented to Leadership Team; and
- attending the Strategic Risk Management Group meetings during the year to gain assurance over, and feed into as necessary, the strategic risk management process.

The conclusion drawn from this work was that risk management arrangements for projects and strategic risks have continued to operate as expected during the period.

Internal Control



This takes into account the outcome of our audit work during the 2018/19 year. As our audit plans include different activities each year assurance may vary from year to year. However, the assurance level still gives insight into West Suffolk's control environment.

During the year we carried out the following reviews:

- Council Tax and Overpayments – Reasonable Assurance
- Housing and Council Tax Benefits – Reasonable Assurance
- Non Domestic Rates (NDR) – Reasonable Assurance
- ARP Enforcement (ARPE) – Good Assurance
- Disposal of Confidential Office Waste – Reasonable Assurance
- Procurement Compliance – Reasonable Assurance
- Contract Management – Reasonable Assurance
- Health & Safety – Lone Working – Reasonable Assurance
- Event Management – Reasonable Assurance
- Housing Assistance Grant Payments – Reasonable Assurance
- Community Chest Grant Payments – Reasonable Assurance
- Greener Business Grant Payments – Reasonable Assurance
- Shop Front Painting Scheme Grant Payments – Reasonable Assurance
- Tree Management & Inspections – Limited Assurance
- Health & Safety – Violence Register – Limited Assurance
- Transparency & Open Data – Limited Assurance
- Follow up audits on actions agreed in previous audits on Social Media and ICT Security – no opinions are issued in follow up audits as they only look at implementation of previously agreed actions
- Note: the NDR review was undertaken by the East Suffolk Internal Audit Team and the ARPE review was undertaken by the Fenland Internal Audit Team on behalf of the five councils currently working together as the Anglia Revenues Partnership

Financial Control



Our audit plan includes providing assurance over our key financial systems. This work is also of particular interest to the external auditor when planning and performing their audit of West Suffolk's annual Statement of Accounts.

During the year we carried out the following reviews:

- Treasury Management – Good Assurance
- General Ledger (Reduced Scope) – Good Assurance
- Payroll – Good Assurance
- Creditors (Reduced Scope) – Reasonable Assurance
- Debtors (Reduced Scope) – Reasonable Assurance
- Car Parks Cash Handling – Reasonable Assurance
- Procurement Cards – Reasonable Assurance
- Follow up audits on actions agreed in previous audits on Apex Cash Handling and Cash Handling Spot Checks were also undertaken

Our Work



West Suffolk is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal audit plays a vital role in providing independent risk based and objective assurance and insight on how these arrangements are working. Internal audit forms part of West Suffolk's assurance framework.

Scope of Work

Our risk based 2018/19 internal audit plan, approved by the Performance and Audit Scrutiny Committee in May 2018, was prepared taking into account the critical activities and key risks to support the basis of the annual internal audit opinion.

This audit plan remained flexible to enable us to respond to emerging risks and maintain effective focus - all Priority 1 and Priority 2 work within the approved plan was however completed during the year, as well as the majority of the Priority 3 work.

Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the 2018/19 audit plan.

Our Work



Detailed below are those areas that were identified by management and internal audit as likely to benefit from internal audit working with services to review relevant arrangements on behalf of management, and assist in making improvements where appropriate. Some of these areas also feed into the annual audit opinion.

Added Value

The following pieces of added value work have been carried out during the year:

GDPR Health Check Follow Up

In 2017/18 internal audit carried out a health check in preparation for the introduction of the General Data Protection Regulation (GDPR) to consider the potential impact of the new Regulation on West Suffolk and any steps that need to be taken to ensure compliance. It was agreed that a further audit review would take place prior to the date that GDPR came into force (25 May 2018) to determine what progress had been made. Discussions and review of supporting documents confirmed that a considerable amount of work had been carried out and that work was still in progress / continuing within the service areas in preparation for GDPR implementation.

CCTV

A significant piece of work was carried out to provide support to management to ensure that CCTV systems are compliant with current data protection requirements. Internal audit prepared an action plan for the service to implement, and we are following up on the progress of these actions on an ongoing basis. Good progress has been made to date.

Single Council Health Checks

We performed a number of health checks, with positive results, against service implementation plan actions in readiness for 1 April 2019 when the new West Suffolk Council was created.

Customer Services Cash Handling

Working alongside customer services colleagues, internal audit carried out a piece of work reviewing cash handling practices at customer services locations, to highlight any differing working practices. A number of inconsistencies between locations and areas where controls should be improved were identified and discussed with management.

Estates Management Review

Internal audit supported the early stages of a review which looked at estates management processes to inform any acquisition of a new estates management database.

Engagement and management of commissioned services, and project feasibility

This work, which was commenced in 2017/18 and finalised in 2018/19, involved reviewing West Suffolk's current methods for appointing and managing commissioned services; and also reviewing arrangements for ensuring that project feasibility procurement activity has been conducted with openness, probity and accountability, with clear contractual agreements in place as appropriate.

The review made suggestions for improvements and internal audit created draft guidance for staff to refer to.

Temporary Accommodation Service Level Agreement

A piece of work was undertaken to review a service level agreement for temporary accommodation to gain independent assurance that St Edmundsbury Borough Council was paying the right price for the service that has been entered into; and that invoices requesting payment were authorised, complete, accurate, appropriate, and timely. Suggestions were made to improve the agreement going forward.

Planning Performance

Planning Development are currently looking at their planning systems end to end, linking this with their performance framework. An improvement plan is in place, and internal audit were requested to review this, plus look at the evidence around whether arrangements are achieving the identified required outcomes. A number of suggestions were made to improve the performance framework.

Mildenhall Hub Project Assurance

Performing the Project Assurance role for the Mildenhall Hub Project and in doing so, consider for each stage of the project whether it is on track and in accordance with agreed governance.

Other Significant Work

Other key work undertaken during 2018/19 includes:

Annual Governance Statement

Production of the West Suffolk Annual Governance Statement and its associated documents.

West Stow Accounts

Internal audit performed the Independent Examination of the West Stow Anglo Saxon Village Trust 2017/18 accounts.

Financial Vetting

During the year to date Internal Audit has also responded to around 40 requests for financial vetting or other related financial advice including assessments of organisations' financial suitability to undertake specified contracts for the councils.

Information Governance

Working with the Officer Information Governance Working Group to ensure information security within the council offices and depots.

Housing – Income Recovery Scheme

Advice was provided on the repayment documentation and process for recovering monies from individuals who had received support through the Homeless Prevention Fund.

Energy Grants – Declarations of Interest

Advice was provided to usefully improve the grant application process and ensure impartiality and objectivity within the decision making process.

Arts Council Grant

Certification was provided to confirm that the Museum Resilience Fund grant, as awarded by the Arts Council, had been expended in accordance with the grant offer letter and project.

Newmarket Skate Park

Due diligence advice was provided.

Fee Earning Work

Internal audit is continuing to undertake fee earning work during 2018/19 and by the end of the financial year this is likely to result in approximately £11,000 - £13,000 of income being earned.

Fee earning work consists of the following:

- audit of the council tax, housing and council tax benefits, and housing benefit overpayments systems at the Anglia Revenues Partnership (ARP) on behalf of East Cambridgeshire District Council and Breckland Council;
- fee earning grant certification work for the following organisations to check that the conditions of the relevant specific grant determinations have been complied with:
 - New Anglia LEP - to provide assurance to the Department for Business Innovation & Skills; and
 - Suffolk County Council - to provide assurance to the Trading Standards Institute

Our Work



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. We continually focus on delivering high quality audits, seeking opportunities to improve where we can.

Quality Assurance

We are committed to training and developing internal audit staff, with training provision continually reviewed through the appraisal process and regular one to one meetings.

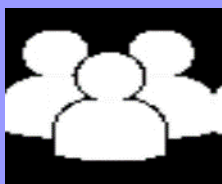
In addition, the Standards require that internal audit 'must develop and maintain a 'quality assurance and improvement programme' that covers all aspects of the internal audit activity'. This quality assurance and improvement programme is designed to check internal audit's conformance with the Standards and the Code of Ethics and also assess its efficiency and effectiveness and identify any areas for improvement.

Currently, West Suffolk internal audit's quality assurance and improvement programme consists of the following elements:

- an external assessment to independently assess conformance with the Standards every five years – an external quality assessment was undertaken in March 2018, no areas of non-compliance with the Standards were identified.

- for 2018/19 work has been carried out to implement the fairly minor suggestions and recommendations arising from the external quality assessment;
- a quality review process is undertaken for each individual audit. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting.
- customer satisfaction questionnaires are issued with audit reports for completion by the service area subject to audit; and
- quality assurance checks by the internal audit team to ensure the Standards are consistently followed.

Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. With this in mind internal audit hold regular liaison meetings with the external auditors, and the external auditors take into account work performed by internal audit in planning and performing their own work.

Our Work

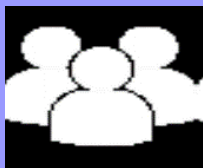
Internal Audit's performance is measured and monitored throughout the year using a range of indicators.

Performance against relevant indicators is summarised below.

Performance against Key Indicators

Performance Indicator	Target	Actual
Percentage completion of Priority 1 work within the approved 2018/19 Audit Plan	100%	100%
High risk actions implemented or satisfactory / reasonable progress made by target date	90%	92%
Average no. of days from fieldwork completion to issue of draft report	15 days	7 days
Average no. of days from receipt of final management comment to issue of final report	15 days	3 days
% of satisfactory (or better) ratings received from customers on individual audits	90%	100%

Our Work



Audit reviews undertaken during the year issued with a limited assurance opinion are shown below.

Details of Limited Assurance Audits

Transparency and Open Data

This was the first such audit review and looked at whether a proactive approach is being taken to publishing data, and to what extent West Suffolk complies with the publishing requirements of the 2015 Local Government Transparency Code (the Code).

Testing of a number of published data sets confirmed that confidence can be given to the public that the councils are maintaining high standards to prevent the publishing of personal, confidential or sensitive data as none was found to be published in the sample tested. The audit review also concluded that whilst good practice is evident, this could be more consistent. Findings were agreed with management and swift action was taken to address the points raised as specified below.

Internal audit welcomes that as part of the move to the new West Suffolk Council, processes and practices around data publication and protection have been proactively reviewed. This also includes a new staff post to further strengthen information governance practice which is mentioned in the 'improvements planned / underway' section below.

Improvements planned / underway

A new, permanent Information Governance Officer post has recently been appointed to, the responsibilities of which include advising on, and monitoring compliance with, the Code taking into account the results of the audit review.

Also, the Single Council Implementation Plan included an action for the Publication Schemes to be reviewed, updated and published by 1 April 2019.

Health and Safety – Violence Register

This was the first audit review of this area and was carried out to gain assurance over the adequacy and effectiveness of current controls operating in respect of the violence register (violent / aggressive / unacceptable behaviour).

The audit concluded that a review of the violence register should be carried out to take a fresh look at its purpose, usefulness, who has access, and its location.

Improvements planned / underway

The service has now reviewed the management of the violence register, taking into account good practice in this area, and will make the necessary improvements.

Tree Management and Inspections

This was the first such audit and reviewed the management of tree inspections and how trees are risk categorised, it also considered the process around reporting dangerous trees including those where damage has occurred to property as a result. The audit found that improvements could be made in respect of the management of public enquiries, inspection regimes and also requests for information from

the council insurers to ensure speedier processing and decision making

Improvements planned / underway

A number of actions are planned including:

- procurement of a new tree management software package which will better suit our needs
- review of management of tree enquiries from the public
- tree team to meet with the insurance team to agree a streamlined procedure aimed at speeding up the investigation process for tree insurance claims

Glossary of Terms

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Internal Audit Annual Opinion

The Service Manager (Internal Audit)'s view, based on internal audit work undertaken and other relevant assurances, of the adequacy and effectiveness of West Suffolk's arrangements for governance, risk and control.

Governance

Governance comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, Performance and Audit Scrutiny Committee, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).