

Internal Audit Annual Report 2019/20



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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 2020, based on the work we have undertaken and information from any 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 informative and transparent, 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.

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.

This year, for the first time, we have also included a direction of travel (see below) 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.

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 2019/20, will

be followed up by internal audit as part of our 2020/21 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 Council 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.

Work on the 2019/20 Annual Governance Statement (AGS) is currently underway, and no significant governance issues are expected to be disclosed for the period to 31 March 2020. The 2019/20 AGS will of course reference the council's response to the challenges posed by the Covid-19 pandemic including any governance impacts starting to come through in 2020/21.

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.



Governance framework remains the same
- assessed as **Good Assurance**

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.



Risk framework remains the same - assessed as **Reasonable Assurance**

Internal Control



This takes into account the outcome of our audit work during the 2019/20 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 Council's control environment.

During the year we carried out the following reviews:

- ARP Enforcement (ARPE) – Good Assurance
- Members Allowances – Good Assurance
- Council Tax and Overpayments – Reasonable Assurance
- Housing and Council Tax Benefits – Reasonable Assurance
- Non-Domestic Rates (NDR) – Reasonable Assurance
- Access to ICT Systems (Operations) – Reasonable Assurance
- Access to ICT Systems (Planning & Regulatory Control) – Reasonable Assurance
- Heritage Assets – Reasonable Assurance
- Civic Regalia – Reasonable Assurance
- Houses in Multiple Occupation (HMOs) – Reasonable Assurance
- Property (Health & Safety) – Reasonable Assurance
- Disclosure and Barring Service (DBS) Checks – Reasonable Assurance
- Follow up audits on actions agreed in previous audits on Transparency and Open Data, Lone Working, Violence Register, Cyber Security, CCTV, Events Management, Payment Card Industry Data Security Standard (PCI DSS), and Tree Management and Inspections – 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



Internal Control remains the same - assessed as **Reasonable Assurance**

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 – Good Assurance
- Payroll (Reduced Scope) – Good Assurance
- Car Parks Cash Handling (Reduced Scope) – Good Assurance
- Creditors (Reduced Scope) – Reasonable Assurance
- Debtors (Reduced Scope) – Reasonable Assurance
- Follow up audits on actions agreed in previous audits on Procurement Cards, Procurement Compliance, Grant Payments - Shop Front Payment Scheme, Grant Payments – Housing Assistance and Grant Payments – Greener Business were also undertaken.



Financial Control remains the same - assessed as **Good Assurance**

Our Work



West Suffolk Council 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 Council's assurance framework.

Scope of Work

Our risk-based 2019/20 internal audit plan, approved by the Performance and Audit Scrutiny Committee in May 2019, 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 as demonstrated by the added value work undertaken in the year. In addition, we were still able to complete all Priority 1, and much of the Priority 2 and 3 work included within the approved plan.

The Covid-19 pandemic has not significantly impacted on the activity or scope of internal audit work in 2019/20, and the annual audit opinion is based on work undertaken before the impacts of the pandemic were felt.

In 2020/21 audit resources will continue to be used where they add maximum value, whether by directly supporting the council's response to Covid-19 or providing assurance to the council in the usual way. In any event, there is a clear intention to ensure that sufficient audit work will be undertaken in 2020/21 to provide a robust annual audit opinion at the end of that year.

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 2019/20 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:

Enforcement Evidence Handling

A review of the newly introduced process within the Planning and Regulatory Service to manage the storage and disposal of evidence which has either been seized or voluntarily surrendered. The review included the initial logging of items, record movement, location and disposal. Some suggestions for improvement that would strengthen arrangements were made, which have been actioned by the service.

Single Council Assurance Work – ARP

A health check was carried out to provide a view on the project governance and approach to the ARP database conversion from the existing Forest Heath and St Edmundsbury databases into the new West Suffolk Council database to enable the awarding of housing benefits and collection of taxes and recovery action. The health check concluded the implementation plan was on target, well managed, with clear actions and timescales in place.

Expenditure Review

Participation in the review of council expenditure.

Single Council Assurance Work Payroll

A post implementation audit review was conducted following the completion of the payroll project ready for the new West Suffolk Council. The review concluded that implementation of the new payroll system was well managed with no significant actions arising.

Demand Analysis

As part of the preparation to develop the Transformation and Change Plan for West Suffolk Council, a need was identified to better understand the demand information that is currently held across service areas. Internal Audit were asked to support this work.

Shared Legal Service Gateway Review

Participation in the review into the implementation and delivery of the Babergh and Mid Suffolk District Councils and West Suffolk Council Shared Legal Services team.

Single Council Assurance Work - General Ledger

A post implementation audit review was conducted following the completion of the financial system project ready for the new West Suffolk Council. The review concluded that implementation of the new West Suffolk

financial system was well managed with no significant actions arising.

Grounds Maintenance Enquiries

This was an extensive exercise carried out working alongside colleagues from the Customer Services team to identify areas for improvement in the existing grounds maintenance enquiries process.

Anglia Revenues Partnership (ARP) Performance Management

A significant piece of work was carried out to provide assurance over elements of the ARP performance management framework (governance, target setting, monitoring, and reporting). The results of this work are feeding into the target operational model being developed by the partnership, to make sure they are best organised to deliver and execute their services in the future.

Capital Strategy and Flexible Use of Capital Receipts Strategy

This piece of work provided assurance to the S151 Officer that the council is complying with its Capital Strategy and Flexible Use of Capital Receipts Strategy, and also that prudential framework requirements, and capital flexibilities requirements set out by central government, are properly followed.

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.

Western Way Development

Feeding into the Gateway Review process for the Western Way Development.

Temporary Accommodation

Advice was provided having been asked to comment on temporary accommodation documents.

Credit Notes

This was a data analysis exercise, focusing on the scale and timing of when credit notes are raised.

Other Significant Work

Other key work undertaken during 2019/20 includes:

Annual Governance Statement

Commencement of work on the 2019/20 West Suffolk Annual Governance Statement.

Financial Vetting

During the year Internal Audit responded to around 45 requests for financial vetting or other related financial advice including assessments of organisations' financial suitability to undertake specified contracts for the council.

West Stow Accounts

Independent Examination of the West Stow Anglo Saxon Village Trust 2018/19 accounts.

Fee Earning Work

Internal audit is continuing to undertake fee earning work during 2019/20 and by the end of the financial year this is likely to result in approximately £11,000 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 Council's 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.
- An ICT Audit Risk Assessment was carried out in 2019/20, being one of the 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.

The results of the above Quality Assurance processes within the year have been satisfactory with nothing of significance to report. We therefore consider that we have continued to comply with the Standards.

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.

<p>Our Work</p> 	<p>Internal Audit's performance is measured and monitored throughout the year using a range of indicators.</p> <p>Performance against relevant indicators is summarised below.</p>
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Performance against Key Indicators

Performance Indicator	2018/19 Actual	2019/20 Target	Actual 2019/20
Percentage completion of Priority 1 work within the approved 2019/20 Audit Plan	100%	80%	100%
High risk actions implemented or satisfactory / reasonable progress made by target date	92%	90%	93 %
Average no. of days from fieldwork completion to issue of draft report	7 days	15 days	6 days
Average no. of days from receipt of final management comment to issue of final report	3 days	10 days	3 days
% of satisfactory (or better) ratings received from customers on individual audits	100%	90%	100 %

<p>Our Work</p> 	<p>Audit reviews undertaken during the year issued with a limited assurance opinion are shown below.</p>
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Details of Limited Assurance Audits

No audits were issued with a limited assurance audit opinion

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 any 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).