



ADUR & WORTHING  
COUNCILS

Key Decision: No

Ward(s) Affected: N/A

**HEAD OF INTERNAL AUDIT'S ANNUAL OPINION REPORTS**

**REPORT BY THE ACTING HEAD OF INTERNAL AUDIT**

**Executive Summary**

**1. Purpose**

- 1.1** This report provides the Members of this Committee with the Head of Internal Audit's opinion reports on the system of internal control at Adur District Council and Worthing Borough Council during 2018/19 and provides a detailed summary of the audit work completed against the 2018/19 audit plan and the key issues identified from this work.

**2. Recommendations**

**2.1 Recommendation One**

That the Committee note the contents of this report.

**3. Background**

- 3.1** Each year a Head of Internal Audit (HoIA) Report is generated to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011. The HoIA Report is an opinion statement provided for the use of the Councils in support of their Annual Governance Statements.

#### **4. Issues for Consideration**

##### **Head of Internal Audit's Opinions – 2018/19**

- 4.1** From the Internal Audit work undertaken in 2018/19, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at both Adur District Council and Worthing Borough Council for the year ended 31 March 2019 accords with proper practice. We did, however note the following significant control issues:
- Procurement and contract issues, including information retention and contract management (both Councils).
  - Further control issues being identified from audits conducted in Housing (ADC only)
- 4.2** Attached as **Appendices 1 and 2** are the Head of Internal Audit's Annual Reports for Adur District Council and Worthing Borough Council for the year 2018/19. A detailed summary of the 2018/19 audits summarised in the HoIA reports is attached as **Appendix 3**.
- #### **5. Engagement and Communication**
- 5.1** Internal Audit attends monthly meetings with the Chief Financial Officer on progress against the plan. Issues arising and potential plan changes are discussed both at these meetings and whenever necessary.
- #### **6 Financial Implications**
- 6.1** There are no financial implications arising from this report.
- #### **7. Legal Implications**
- 7.1** There are no legal matters arising as a result of this report.

#### **Background Papers**

None

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## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

The report does not seek to meet any particular Council priority.





Adur District Council  
Internal Audit Annual Report 2018/19

May 2019

This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 15 March 2018 between Adur District and Worthing Borough Councils (through the London Borough of Croydon's APEX Framework Agreement) and Mazars LLP.

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### **Status of our reports**

*This report ("Report") was prepared by Mazars LLP at the request of Adur District and Worthing Borough Councils and terms for the preparation and scope of the Report have been agreed with them.*

*The Report was prepared solely for the use and benefit of Adur District and Worthing Borough Councils and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.*

*Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.*

# Introduction

## Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Adur District Council (the Council) during the 2018/19 financial year, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The PSIAS requirements are that the report must include:

- An annual Internal Audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformation with the PSIAS and the results of the Internal Audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the Internal Audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

It should be noted that the Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Adur District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Adur District Council is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

## Internal Audit Approach

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

## Overview of Work Done

The Audit Plan for 2018/19 included a total of 31 internal audit projects when it was approved by the Joint Governance Committee in March 2018. We have liaised with senior management throughout the year to ensure that Internal Audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the Authority, help ensure the most appropriate use of our resources.

Through this liaison, changes were agreed to the plan during the year, mainly to accommodate audits within Housing Services. As a result, some internal audit projects have been deleted from the Plan and the timing of a number of other audits has been changed. Consequently, the final number of projects for Adur in 2018/19 was 34 compared to 30 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2018/19.

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits, probity audits and anti-fraud work.

All internal audit reports include our recommendations and agreed actions that, if implemented by management, will enhance the control environment and the operation of the key management controls.

## Compliance with the PSIAS

During our internal audit work, we practice the principles of the PSIAS. The PSIAS require periodic self-assessment and an assessment by an external person every five years. During 2016/17 Mazars GRIC – Public Services (Local Government Sector) engaged an external company, Gard Consultancy Services, to complete an External Quality Assessment. The review was conducted in October and November 2016 and our work at Adur District Council was covered as part of the sample of clients examined during the review. The outcome of this external assessment is stated within the resulting report as:

“From the evidence reviewed as part of the external quality assessment, no areas of noncompliance with the Public Sector Internal Audit Standards have been identified that would affect the overall scope or operation of the Internal Audit activity, nor any significant areas of partial non-compliance. Three areas of minor partial compliance and one area, which is a new requirement from 2016, have been identified.

***On this basis, it is our opinion that Mazars GRIC - Public Services conforms to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.***

Some practical and pragmatic recommendations to address the minor partial compliance issues and improve overall conformity with the standards have been made”.

This report sets out the results of the work performed as follows:

- **Overall summary** of work performed by Internal Audit including an analysis of report gradings; and
- **Key themes identified** during our work in 2018/19.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2018/19, including those that, at this time, remain in draft. It should be noted therefore that the comments made in respect of any draft reports are still subject to management response. Any changes in assurance on draft reports will be taken into account in the Head of Internal Audit Opinion for 2019/20.

## Overall Summary

As illustrated in the tables below, we have noted an improvement in Adur District Council's control environment during the 2018/19 audit year.

During 2018/19, 20 (74.1%) of internal audit projects were rated 'Satisfactory assurance' compared with 18 (62.1%) in the prior year. Two 'Full assurance' opinions were issued in 2018/19 compared to none in 2017/18. We have issued no 'No assurance' opinions compared to one in 2017/18. Five reports (18.5%) have been issued with 'limited assurance' opinions compared with ten (34.5%) in the previous year.

Assurance Gradings	Number of Projects									
	2018/19		2017/18		2016/17		2015/16		2014/15	
Full	2	7.4%	0	0%	1	3.6%	0	0%	1	2.2%
Satisfactory	20	74.1%	18*	62.1%	24	85.6%	27	75%	31	67.4%
Limited	5	18.5%	10*	34.5%	2	7.2%	8	22.2%	14	30.4%
No	0	0%	1	3.4%	1	3.6%	1	2.8%	0	0%
<b>Sub-Total</b>	<b>27</b>		<b>29</b>		<b>28</b>		<b>36</b>		<b>46</b>	
No Opinion Audits	0		1		3		5		5	
<b>Total Audits Delivered</b>	<b>27</b>		<b>30</b>		<b>31</b>		<b>41</b>		<b>51</b>	
Audits still in progress / Deferred	7									
<b>Total</b>	<b>34</b>		<b>30</b>		<b>31</b>		<b>41</b>		<b>51</b>	

\* Revised from 2017/18 Internal Audit Annual Report following issue of final audit reports which were outstanding when the 2017/18 report was produced.

A summary of key findings for all 2018/19 internal audit projects rated as No/Limited is included at Appendix 1.

## Opinion 2018/19

From the Internal Audit work undertaken in compliance with the PSIAS in 2018/19, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at Adur District Council for the year ended 31 March 2019 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:



## Key Themes Identified

As Internal Audit continues to apply a risk based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we have seen an improvement in the control environment and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.

### Corporate Governance

As part of our work this year, we have again completed an evaluation of the governance arrangements in order to assist the Council and the S151 Officer in the preparing the Annual Governance Statement (AGS) for 2018/19.

As in 2017/18, we have concluded that there is reasonable assurance that the Council's governance arrangements are largely compliant with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The external auditor's Audit Results Report for the year ended 31<sup>st</sup> March 2018, in which Ernst & Young have concluded that "We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work", and

- Our audit of the Council's corporate governance arrangements that provided an overall Satisfactory assurance rating.

### Risk Management

Based on an internal audit of the Council's risk management framework, we have concluded that there is reasonable assurance that the Council's risk management processes are sufficiently formalised and provide information on key risks and issues relating to directorates and the Council as a whole. This opinion is based on:

- Assurance provided by the external auditors, Ernst & Young, in their Audit Results Report 2017/18 in which they state "In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Adur District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018", and
- Our audit of the Council's risk management arrangements that provided an overall Satisfactory assurance rating.

### Information Technology Governance

In our opinion, the information technology governance of the Council is adequate to support the organisation's strategies and objectives. This opinion is based on our ongoing programme of computer audits which did not identify any material weaknesses with information technology governance during 2018/19 or from those 2017/18 audits completed since our 2017/18 report was produced.

### Internal Control - Key Financial Systems

Each year Internal Audit carries out audits of the Council's key financial systems to provide the Council with assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment.

The table below summarises the assurance gradings from our audits in this key area:

Financial Year	No of Full Assurance Reports	% of Full Assurance Reports	No of Satisfactory Assurance Reports	% of Satisfactory Assurance Reports	No of Limited Assurance Reports	% of Limited Assurance Reports
2017-18	0	0%	10	100%	0	0%
2018-19	2	20%	8	80%	0	0%

The control environment around key financial systems during 2018/19 is satisfactory with 8 of the 10 areas examined achieving Satisfactory assurance and two achieving Full assurance.

Other key themes arising from our audit work on the key financial systems continue to be non-compliance with routine hygiene controls such as maintenance of up to date procedure notes and approval for write-off of irrecoverable debts.

We have also noted the External Auditor's Audit Results Report 2017/18, in which Ernst & Young state "It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice. As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware".

### Levels of Assurance – IT Audits

Each year Internal Audit also carries out audits of specific IT systems. During 2018-19 we have completed, with management assistance, an ICT Audit Needs Assessment in order to form a plan of IT audits for the next 3 years which is focussed on areas of greatest need or risk. The IT audits to be conducted as part of the 2018-19 plan were not therefore decided until late in the year and at present only one of the three audits has been completed. This audit was graded as Limited assurance. The grading of the other two audits will be taken into account in the Head of Internal Audit Opinion for 2019/20.

The performance in 2017/18 was 50% Satisfactory assurance (2 out of 4) and 50% Limited assurance (2 out of 4). In both 2016/17 and 2017/18 there was also one piece of work where no assurance opinion was given.

### Key Themes

Overall we have identified the following key themes arising from our work this year:

- Procurement and contract issues, including information retention and contract management.
- Further control issues being identified from audits conducted in Housing.

### Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed	100%	82.6%
Number of draft audit reports/work items complete	34	27*

\*\* Of the seven work items to be completed, two are in progress, one is under review and four are yet to be started. These items of audit work will be summarised in our quarterly reports to the Joint Governance Committee when the final reports are issued. The results will be updated in our Annual Internal Audit Report for 2019/20.

## Appendix 1 - Audit Projects with Limited or No Assurance 2018/19

Project	Grading	Summary of Key Findings
Compliance with Freedom of Information Act	Limited	<p>Fifteen recommendations were raised (two Priority 1, eleven Priority 2 and two Priority 3). The Priority 1 recommendations were raised to address the need for:</p> <ul style="list-style-type: none"> <li>- Ensuring all relevant staff have completed the mandatory training; and</li> <li>- Ensuring all requests are responded to within the statutory 20 days.</li> </ul> <p>Priority 2 recommendations raised related to:-</p> <ul style="list-style-type: none"> <li>- Review and update of policies, procedures and the Publication Schemes;</li> <li>- Publication of FOI responses;</li> <li>- Timeliness of request logging and assignment of requests; and</li> <li>- Audit trail and functionality improvements to the Matsoft application.</li> </ul>
Food Safety & Registration for Businesses	Limited	<p>Thirteen recommendations were raised (ten Priority 2 and three Priority 3). No Priority 1 recommendations were raised. The Priority 2 recommendations related to:</p> <ul style="list-style-type: none"> <li>- The maintenance of qualification, CPD and competency framework records);</li> <li>- Timeliness of inspection; and</li> <li>- Retention/scanning/recording of information.</li> </ul>
Data Centre Physical & Environmental Controls audit (draft)	Limited	<p>Eleven recommendations were raised (ten Priority 2 and one Priority 1). The Priority 1 recommendation related to:</p> <ul style="list-style-type: none"> <li>- Restoration testing from back-ups.</li> </ul> <p>Priority 2 recommendations raised related to:-</p> <ul style="list-style-type: none"> <li>- Access and Visitor procedures;</li> <li>- Maintenance of documented policies and procedures;</li> <li>- Monitoring of CCTV and Water sensors;</li> <li>- Repair of fire detection systems;</li> <li>- Inventory maintenance and general cleanliness.</li> </ul>
Fire Doors – vertical contract audit (draft)	Limited	<p>Priority 1 recommendations were raised to address the need for:</p> <ul style="list-style-type: none"> <li>- Ensuring the correct build and accuracy of tender evaluation spreadsheets;</li> <li>- Ensuring tender evaluations are checked and certified as correct;</li> <li>- Establishing KPIs and how they should be monitored; and</li> <li>- Ensuring contract instructions, with complete valuations, are raised for all works.</li> </ul>

Project	Grading	Summary of Key Findings
Building Services – Stocks & Stores (draft)	Limited	Priority 1 recommendations were raised to address the need for: <ul style="list-style-type: none"><li>- A policy to determine how stores are procured and stock level requirements;</li><li>- Ensuring value for money is demonstrated when procuring goods; and</li><li>- Maintaining accurate and up to date stock records.</li></ul>

## Appendix 2 - Key to Assurance Levels

### Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
<b>Full</b>	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
<b>Satisfactory</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
<b>Limited</b>	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
<b>No</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

## Appendix 3 - Statement of Responsibility

We take responsibility to Adur District and Worthing Borough Councils for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterperatation amendment and/or modification by any third party is entirely at their own risk.

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Worthing Borough Council  
Internal Audit Annual Report 2018/19

May 2019

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## Introduction

### Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Worthing Borough Council (the Council) during the 2018/19 financial year, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAs). The PSIAs requirements are that the report must include:

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- A statement on conformation with the PSIAs and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

It should be noted that the Council is responsible for ensuring its' business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Worthing Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Worthing Borough Council is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### Internal Audit Approach

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

## Overview of Work Done

The Audit Plan for 2018/19 included a total of 26 internal audit projects when it was approved by the Joint Governance Committee in March 2018. We have liaised with senior management throughout the year to ensure that internal audit work undertaken continues to focus on the high risk areas and, in the light of new and ongoing developments in the Authority, help ensure the most appropriate use of our resources.

As a result of this liaison, changes were agreed to the Plan during the year. Some internal audit projects have been added to or deleted from the Plan, and the timing of a number of others has been changed. Consequently, the final number of projects for Worthing in 2018/19 was 29 compared to 24 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2018/19.

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits, probity audits and anti-fraud work.

All internal audit reports include our recommendations and agreed actions that, if implemented by management, will enhance the control environment and the operation of the key management controls.

## Compliance with the PSIAS

During our internal audit work, we practice the principles of the PSIAS. The PSIAS require periodic self-assessment and an assessment by an external person every five years. During 2016/17 Mazars GRIC – Public Services (Local Government Sector) engaged an external company, Gard Consultancy Services, to complete an External Quality Assessment. The review was conducted in October and November 2016 and our work at Adur District Council was covered as part of the sample of clients examined during the review. The outcome of this external assessment is stated within the resulting report as:

“From the evidence reviewed as part of the external quality assessment, no areas of noncompliance with the Public Sector Internal Audit Standards have been identified that would affect the overall scope or operation of the Internal Audit activity, nor any significant areas of partial non-compliance. Three areas of minor partial compliance and one area, which is a new requirement from 2016, have been identified.

***On this basis, it is our opinion that Mazars GRIC - Public Services conforms to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note.***

Some practical and pragmatic recommendations to address the minor partial compliance issues and improve overall conformity with the standards have been made”.

This report sets out the results of the work performed as follows:

- **Overall summary** of work performed by Internal Audit including an analysis of report gradings; and
- **Key themes identified** during our work in 2018/19.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2018/19, including those that, at this time, remain in draft. It should be noted therefore that the comments made in respect of any draft reports are still subject to management response. Any changes in assurance on draft reports will be taken into account in the Head of Internal Audit Opinion for 2019/20.

## Overall Summary

As illustrated in the tables below, we have noted an improvement in Worthing Borough Council's control environment during the audit year. During the 2018/19 year, some 20 (76.9%) of internal audit projects were rated 'Satisfactory assurance' compared with 17 (73.9%) in the prior year. Three 'Full assurance' opinions were issued in 2018/19 compared to none in 2017/18.

We are pleased to report that we have not issued any 'No assurance' opinions in 2018/19. We issued three (11.55%) reports with 'limited assurance' opinions compared with six (26.1%) in the previous year.

Assurance Gradings	Number of Projects									
	2018/19		2017/18		2016/17		2015/16		2014/15	
Full	3	11.55%	0	0%	1	3.7%	0	0%	1	2.3%
Satisfactory	20	76.9%	17*	73.9%	23	85.2%	27	79.4%	29	65.9%
Limited	3	11.55%	6*	26.1%	3	11.1%	7	20.6%	14	31.8%
No	0	0%	0	0%	0	0%	0	0%	0	0%
<b>Sub-Total</b>	<b>26</b>		<b>23</b>		<b>27</b>		<b>34</b>		<b>44</b>	
No Opinion Audits	0		1		2		5		4	
<b>Total Audits Delivered</b>	<b>26</b>		<b>24</b>		<b>29</b>		<b>39</b>		<b>48</b>	
Audits still in progress / Deferred	3									
<b>Total</b>	<b>29</b>		<b>24</b>		<b>29</b>		<b>39</b>		<b>48</b>	

\* Revised from 2017/18 Internal Audit Annual Report following issue of audit reports which were outstanding when the 2017/18 report was produced

A summary of key findings for all 2018/19 Internal Audit projects rated as Limited is included at Appendix 1.

**Opinion 2018/19**

From the Internal Audit work undertaken in compliance with the PSIAS in 2018/19, it is our opinion that we can provide **Satisfactory Assurance** that the system of internal control in place at Worthing Borough Council for the year ended 31 March 2019 accords with proper practice, except for the significant control environment issues as documented in Appendix 1. The assurance can be further broken down between financial and non-financial systems, as follows:



**Key Themes Identified**

**As Internal Audit continues to apply a risk based approach, our audit projects assess the governance framework, the risk management process as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we have seen an improvement in the control environment and whilst further remedial action needs to take place, we have noted that management has already started addressing our most significant findings.**

**Corporate Governance**

As part of our work this year, we have again completed an evaluation of the governance arrangements in order to assist the Council and the S151 Officer in preparing the Annual Governance Statement (AGS) for 2018/19.

As in 2017/18, we have concluded that there is reasonable assurance that the Council's governance arrangements are largely compliant with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The external auditor's Audit Results Report for the year ended 31<sup>st</sup> March 2018, in which Ernst & Young have concluded that "We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work" and

- Our audit of the Council's corporate governance arrangements that provided an overall Satisfactory assurance rating.

### Risk Management

We have concluded that there is reasonable assurance that the Council's risk management processes are sufficiently formalised and provide information on key risks and issues relating to directorates and the Council as a whole. This opinion is based on:

- Assurance provided by the external auditors, Ernst & Young, in their Audit Results Report 2017/18 in which they state "In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Worthing Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018", and
- Our audit of the Council's risk management arrangements that provided an overall Satisfactory assurance rating.

### Information Technology Governance

In our opinion the information technology governance of the Council is adequate to support the organisation's strategies and objectives. This opinion is based on our ongoing programme of computer audits which did not identify any material weaknesses with information technology governance during 2018/19 or from those 2017/18 audits completed since our 2017/18 report was produced.

### Internal Control - Key Financial Systems

Each year Internal Audit carries out audits of the Council's key financial systems to provide the Council with assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment.

The table below summarises the assurance gradings from our audits in this key area:

Financial Year	No of Full Assurance Reports	% of Full Assurance Reports	No of Satisfactory Assurance Reports	% of Satisfactory Assurance Reports	No of Limited Assurance Reports	% of Limited Assurance Reports
2017-18	0	0%	9	100%	0	0%
2018-19	2	22.2%	7	77.8%	0	

The control environment around key financial systems during 2018/19 is satisfactory with 7 of the 9 areas examined achieving Satisfactory assurance and two achieving Full assurance.

Other key themes arising from our audit work on the key financial systems continue to be non-compliance with routine hygiene controls such as maintenance of up to date procedure notes and approval for write-off of irrecoverable debts.

We have also noted the External Auditor's Audit Results Report 2017/18, in which Ernst & Young state "It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice. As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware".

### Levels of Assurance – IT Audits

Each year Internal Audit also carries out audits of specific IT systems. During 2018-19 we have completed, with management assistance, an ICT Audit Needs Assessment in order to form a plan of IT audits for the next 3 years which is focussed on areas of greatest need or risk. The IT audits to be conducted as part of the 2018-19 plan were not therefore decided until late in the year and at present only one of the three audits has been completed. This audit was graded as Limited assurance. The grading of the other two audits will be taken into account in the Head of Internal Audit Opinion for 2019/20.

The performance in 2017/18 was 50% Satisfactory assurance (2 out of 4) and 50% Limited assurance (2 out of 4). In both 2016/17 and 2017/18 there was also one piece of work where no assurance opinion was given.

### Key Themes

Overall we have identified the following key theme arising from our work this year:

- Procurement and contract issues, including contract management and information retention.

### Performance of Internal Audit

At the start of the contract, a number of performance indicators were formulated to monitor the delivery of the Internal Audit service to the Council. The table below shows the actual and targets for each indicator for the period:

Performance Measure	Target	Actual
Percentage of Internal Audit plan completed	100%	82.6%
Percentage of draft audit reports issued	29	26**

\*\* The three audits still to be completed have yet to be started. The findings of these audits will be summarised in our quarterly reports to the Joint Governance Committee when the final reports are issued and the results updated in our Annual Internal Audit Report for 2019/20.

## Appendix 1 - Audit Projects with Limited Assurance 2018/19

Project	Grading	Summary of Key Findings
Compliance with Freedom of Information Act	Limited	<p>Fifteen recommendations were raised (two Priority 1, eleven Priority 2 and two Priority 3). The Priority 1 recommendations were raised to address the need for:</p> <ul style="list-style-type: none"> <li>- Ensuring all relevant staff have completed the mandatory training; and</li> <li>- Ensuring all requests are responded to within the statutory 20 days.</li> </ul> <p>Priority 2 recommendations raised related to:-</p> <ul style="list-style-type: none"> <li>- Review and update of policies, procedures and the Publication Schemes;</li> <li>- Publication of FOI responses;</li> <li>- Timeliness of request logging and assignment of requests; and</li> <li>- Audit trail and functionality improvements to the Matsoft application.</li> </ul>
Food Safety & Registration for Businesses	Limited	<p>Thirteen recommendations were raised (ten Priority 2 and three Priority 3). No Priority 1 recommendations were raised. The Priority 2 recommendations related to:</p> <ul style="list-style-type: none"> <li>- The maintenance of qualification, CPD and competency framework records);</li> <li>- Timeliness of inspection; and</li> <li>- Retention/scanning/recording of information.</li> </ul>
Data Centre Physical & Environmental Controls audit (draft)	Limited	<p>Eleven recommendations were raised (ten Priority 2 and one Priority 1). The Priority 1 recommendation related to:</p> <ul style="list-style-type: none"> <li>- Restoration testing from back-ups.</li> </ul> <p>Priority 2 recommendations raised related to:-</p> <ul style="list-style-type: none"> <li>- Access and Visitor procedures;</li> <li>- Maintenance of documented policies and procedures;</li> <li>- Monitoring of CCTV and Water sensors;</li> <li>- Repair of fire detection;</li> <li>- Inventory maintenance; and</li> <li>- General cleanliness.</li> </ul>

# Appendix 2 - Key to Assurance Levels

## Assurance Gradings

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
<b>Full</b>	There is a sound system of internal control designed to achieve the Council's objectives The control processes tested are being consistently applied.
<b>Satisfactory</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
<b>Limited</b>	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
<b>No</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

## Appendix 3 - Statement of Responsibility

We take responsibility to Adur District and Worthing Borough Councils for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Project	Joint	ADC only	WBC only	Field Work complete	Draft Issued	Final Issued	Assurance level	Assurance at previous audit
Right to Buy		*		Y	Y	Y	Satisfactory	Satisfactory
Bereavement Services	*			Y	Y	Y	Satisfactory	No previous audit
Business Travel - Vehicles	*			Y	Y	Y	Satisfactory	No previous audit
Place & Economy	*			Y	Y	Y	Satisfactory	No previous audit
Disabled Adaptations		*		Y	WIP			
Car Parks - LED replacement lighting contract	*			Y	Y	Y	Satisfactory	No comparable previous audit
Private Sector Leasing		*		WIP				
NSL Contract Management	*			Y	Y	Y	Full	No previous audit
Corporate Governance	*			Y	Y	Y	Satisfactory	Satisfactory
Fire Doors - vertical contract audit		*		Y	Y	UR	Limited	
Emergency Planning	*			Y	Y	Y	Satisfactory	
Compliance with the Freedom of Information Act	*			Y	Y	Y	Limited	
Cashiering	*			Y	Y	Y	Satisfactory	Satisfactory
Development Management	*			Y	Y	Y	Satisfactory	Satisfactory
Treasury Management	*			Y	Y	Y	Full	Satisfactory
Waste Management	*			Y	Y	Y	Satisfactory	
Theatres Box Office			*	Y	Y	Y	Satisfactory	No previous audit
Creditors	*			Y	Y	Y	Satisfactory	Satisfactory
Debtors	*			Y	Y	Y	Satisfactory	Satisfactory
Revenues (Council Tax & NDR)	*			Y	Y	Y	Satisfactory	Satisfactory
Benefits	*			Y	Y	Y	Satisfactory	Satisfactory
Housing Repairs (Matsoft)		*		WIP				
Air & Water Quality	*			Y	Y	Y	Satisfactory	No previous audit
Risk Management	*			Y	Y	Y	Satisfactory	Satisfactory
Capital & Fixed Asset Accounting	*			Y	Y	Y	Full	Satisfactory
General Ledger	*			Y	Y	Y	Satisfactory	Satisfactory
Payroll	*			Y	Y		Satisfactory	Satisfactory
Food Safety & Registration for Businesses		*		Y	Y	Y	Limited	No previous audit
Health & Safety	*			Y	UR		Satisfactory	Limited
Building Services - Stocks & Stores		*		Y	Y		Limited	No previous audit
Rent Collection and Collection of Arrears		*		Y	Y	Y	Satisfactory	Satisfactory
Asset Management	*			P				
Energy Management	*			Y	UR		Satisfactory	No previous audit
Construction - Adur Civic Centre Phase 1				P				
Data Centre Access Procedure	*			Y	Y		Limited	No previous audit
Database Architecture & Security	*			P				
Content Management (Website- Internet)	*			P				

P = Planned

WIP = Work in Progress

UR = Under Review