



# Progress Report

Guildford Borough Council  
Internal Audit 2020-21

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19 November 2020

# Internal Audit Progress Report – November 2020

We are delighted to be working with Guildford Borough Council as your internal auditors. We have been proud to have worked closely with the Council previously in our capacity as co-sourced internal audit professionals. For 2020/21, we have shifted to providing a fully outsourced internal audit service and the Head of Internal Audit, responsible for the delivery of the 2020/21 operational plan is Neil Hewitson. Anna Hill, is the engagement manager. Neil and Anna will attend Corporate Governance Standards Committee meetings, and provide updates on the progress of our work and presentation of our findings.

## The purpose of this report is to provide a summary of internal audit work for the period 1 May 2020 to 31 October 2020. Ahead of the Corporate Governance and Standards Committee on 19 November 2020 we have...

- Had introductory and progress meetings with the Chair of the Corporate Governance and Standards Committee and the Resources Director;
- Completed our planned 2019/20 reviews of Cyber Security, North Downs Housing and Burchatts Farm Barn. In accordance with the co-sourced internal audit arrangements in place at the Council for 2019/20 we provided our reports to the in-house Head of Internal Audit;
- Completed our planned 2020/21 reviews of Payroll and Treasury Management. The outcome of these reviews are presented in section two and have been presented to the Corporate Management Team;
- Commenced fieldwork for our 2020/21 reviews of Income and Accounts Receivable and Expenditure and Accounts Payable; and
- Agreed terms of references for our 2020/21 reviews of Local Risk Management and Performance Management.

## Ahead of the next meeting of the Corporate Governance and Standards Committee on 14 January 2021 we will...

- Complete our 2020/21 reviews of Income and Accounts Receivable, Expenditure and Accounts Payable, Local Risk Management and Performance Management; and
- Agree terms of references for our remaining 2020/21 reviews: Capital Management; Follow-up Reviews; Key Learnings from COVID-19; and
- Commence planning for 2021/22 and start preparing our draft 2020/21 Annual Report and Head of Internal Audit opinion

## Status of our 2020/21 internal audit programme

#	Review	CGSC	Assurance rating given	Status
<b>2020/21 Reviews</b>				
1	Treasury Management	November 2020	Partial assurance with improvements required	Complete
2	Payroll	November 2020	Significant assurance with minor improvement opportunities	Complete
3	Income & Accounts Receivable	January 2021	TBC	Fieldwork in progress
4	Expenditure & accounts payable	January 2021	TBC	Fieldwork in progress
5	Performance Monitoring KPI 1	January 2021	TBC	Fieldwork commencing in December 2020.
6	Performance Monitoring KPI 2	January 2021	TBC	Fieldwork commencing in December 2020.
7	Performance Monitoring KPI 3	January 2021	TBC	Fieldwork commencing in December 2020.
8	Local Risk Management	January 2021	TBC	Fieldwork commencing in December 2020.
9	Capital Management	March 2021	TBC	Not yet due
10	Follow up Reviews	March 2021	TBC	Not yet due
11	Key Learnings from Covid-19	March 2021	TBC	Not yet due

# Summary of reviews – November 2020

Summary of completed 2020/21 reviews:

Report	Recommendations				Key Findings
	High	Medium	Low	Total	
Treasury Management	0	3	0	3	<p>We reviewed the operation of treasury management controls and provide partial assurance with improvements required (<b>AMBER RED</b>), which is below Management’s forecast, and is driven by the limited resilience and robustness of monthly bank reconciliations and weaknesses in the governance processes around the Treasury Management Policy.</p> <p>The monthly control of reconciling treasury balances to the bank statement has been impacted by the transition to BusinessWorld, as well as resourcing constraints. The new BusinessWorld process should be established and implemented as a priority. Additionally, there is only one member of staff familiar with the detailed processes for completing monthly bank reconciliations, including the running of various reports and performing sub-reconciliations. There is a single point of failure risk in the process and there is a need to build resilience and train additional staff to support this process.</p> <p>Our review of the processes for undertaking investments and borrowings found that they were well designed with authorisation limits, criteria for transactions and approved counterparties formally defined. The Council utilises external treasury advisors to assist with identifying qualifying transactions. The use of brokers is spread to diversify risk. Our testing of investments and borrowings found that they had been undertaken in line with policy and that they had been considered when developing cash flow forecasts, thus ensuring that they were sufficiently accurate to aid decision-making. With the introduction of remote working arrangements in March 2020, paper authorisation forms were replaced by email authorisations or digital stamps and we found that controls continued to operate effectively as a result.</p> <p>We reviewed the appropriateness of access rights regarding the online banking system and bank mandate. We found that authorisation rights were provided to appropriate members of Finance with sufficient capabilities to make decisions. Segregation of duties is embedded in all levels of authorisation to ensure that appropriate transactions are entered into.</p> <p>The process for supplying different services with petty cash top ups from the central float is robust. The use of the petty cash floats has been increasingly limited and the Council is considering eliminating the use physical cash floats entirely to reduce the administration burden and to encourage the use of the standard accounts payables processes should funding be required.</p>

# Summary of reviews – November 2020

Report	Recommendations				Key issues
	High	Medium	Low	Total	
Payroll	0	3	3	6	<p>We reviewed the design and operating effectiveness of payroll controls and provide significant assurance with minor improvement opportunities (<b>AMBER GREEN</b>), which is in line with Management’s expectations.</p> <p>The Council has experienced many changes due to COVID, organisational restructuring and new system updates. In July 2020, payroll migrated operating systems, changing from Selima to Business World. Due to the organisational changes, there is a need for the Council to draft updated policy and procedure documents. We reviewed the starters, leavers and amendments processes and found them to be well designed. The new joiner process could be improved by introducing a form detailing all essential information about the joiner in a single document.</p> <p>The Council has responded to remote working by quickly adapting from paper based controls to emails and electronic authorisations. From our review of the process, payroll BACS reports are required to be approved and signed off by HR, however there is no evidence to confirm approval of BACS reports since the start of remote working arrangements in March 2020. It is important that all process controls continue to operate effectively in the new working environment and we recommend that BACS reports are signed electronically to clearly evidence that they have been reviewed appropriately.</p> <p>Our testing of leavers identified that leavers forms could not be provided for majority of the staff sampled. One of the overpayments sampled was due to the leaving date of a past employee not being communicated to HR in a timely manner. Timely completion of leaver forms should be mandatory to ensure that leavers are processed prior to pay-runs.</p> <p>Establishment Control Forms (ECF) are required in specific circumstances including creating a new post, amending an existing post, recruiting to a post, making a change to salary and extensions to fixed term contracts. From our testing, we were unable to obtain evidence for eight amendments to confirm that they had been appropriately reviewed and authorised before being implemented. We were provided with system screenshots to evidence that changes had been made appropriately, however, we were unable to determine whether segregation of duties happened whereby the amendments made were authorised by a separate individual. The Council should consider using the ECF approval control more widely to ensure that amendments and changes to all staff data are approved.</p> <p>We reviewed the process and controls for recovering overpayments and found them to be appropriately designed and operating effectively.</p>



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