



Progress Report

Guildford Borough Council
Internal Audit 2020-21

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14 January 2021

Internal Audit Progress Report - January 2021

Since the last meeting of the Corporate Governance and Standards Committee on 19 November 2020 we have...

- Finalised our 2019/20 reports on North Downs Housing and Burchatts Farm Barn;
- Issued our draft 2020/21 reports on Income and Accounts Receivable, Expenditure and Accounts Payable and Performance Monitoring;
- Commenced our 2020/21 Local Risk Management review;
- Issued terms of reference for our remaining 2020/21 reviews: Capital Management; Follow-up; and Key Learnings from COVID-19.

Ahead of the next meeting of the Corporate Governance and Standards Committee on 25 March 2021 we will...

- Finalise our 2020/21 reports on Income and Accounts Receivable, Expenditure and Accounts Payable, Performance Monitoring and Local Risk Management;
- Commence our 2020/21 reviews of Capital Management, Follow-up and Key Learnings from COVID-19; and
- Prepare our draft 2020/21 annual report and head of internal audit opinion; and
- Complete our 2021/22 planning process the output of which will be our 2021/22 internal audit plan.

Status of our 2020/21 internal audit programme

| # | Review | CGSC | Assurance rating given | Status |
|------------------------|------------------------------------|---------------|--|---------------------------------|
| 2020/21 reviews | | | | |
| 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 | Draft report issued |
| 4 | Expenditure & accounts payable | January 2021 | TBC | Draft report issued |
| 5-7 | Performance Monitoring: KPIs 1,2,3 | January 2021 | TBC | Draft report issued |
| 8 | Local Risk Management | March 2021 | TBC | Fieldwork ongoing |
| 9 | Capital Management | March 2021 | TBC | Fieldwork starting January 2021 |
| 10 | Follow up Reviews | March 2021 | TBC | Fieldwork starting January 2021 |
| 11 | Key Learnings from Covid-19 | March 2021 | TBC | Fieldwork starting January 2021 |

Summary of reviews – January 2021

Summary of completed reviews:

| Report | Recommendations | | | | Key Findings |
|---|-----------------|--------|-----|-------|--|
| | High | Medium | Low | Total | |
| North Downs Housing: Governance (2019/20) | 1 | 2 | 1 | 4 | <p>We reviewed the design and effectiveness of the governance arrangements used by the Council to manage North Downs Housing Ltd. ('NDH') and provided 'Partial assurance with improvements required' (AMBER RED). This is below management's expectations and is driven by the lack of consistent and regular performance management between the Council and the subsidiary as well as there being no formalised and approved terms of references for the NDH Board or the GBC Holdings Board.</p> <p>We reviewed the governance arrangements at NDH and at the Council and how they relate to the management of NDH. Per Management there was a recent request for a presentation for an operational update on NDH to the Council's Overview and Scrutiny Committee. Our review of Committee meeting minutes supported this, showing that the presentation was made and there was subsequent discussion and challenge. This reporting is ad hoc and there is no formal mechanism for NDH to report on performance to the Council. The Council does not have a structure to ensure regular and consistent monitoring. Whilst NDH is a standalone entity, as the parent, the Council should be sighted of the financial, strategic and operational performance of the subsidiary and we recommend that formal reporting structures are established.</p> <p>At NDH there are regular board meetings, key areas of discussion and appropriate attendance from key stakeholders. There are no established terms of references for the NDH Board or the Guildford Borough Council Holdings Ltd ('GBC Holdings') Board to clearly set out the roles and responsibilities of the committees, including the information required to be reported and discussed at these meetings. This needs to be codified, approved and adhered to.</p> <p>The NDH Board meets regularly every two months with agendas and minutes prepared for each meeting. These meetings are attended by appropriate individuals such as NDH Directors, the Landlord Services Manager, Lead Specialist Finance and Legal. We noted robust discussion and challenge around each agenda item, including operational updates on properties. Actions are identified and assigned a responsible individual, however there is no standalone action tracker which is monitored to ensure that actions are being adequately responded to and we recommend that a formal action tracker is implemented including detail on responsible individuals and due dates.</p> <p>There is an overlap in the information provided in the financial monitoring report and the operational update report provided by the Landlord Services Manager. This information includes specific property details such as purchase price and monthly rents. We also found that the operational update pulls this information from the Orchard housing management system whereas the financial monitoring report takes the data from the ledger. Information compiled and presented at the NDH board meetings should be clearly defined to ensure there is no duplication in reporting.</p> |

Summary of reviews - January 2021

| Report | Recommendations | | | Total | Key Findings |
|-------------------------------|-----------------|--------|-----|-------|---|
| | High | Medium | Low | | |
| Burchatts Farm Barn (2019/20) | 2 | 5 | 2 | 9 | <p>We reviewed the process followed in respect of the disposal of community assets, using Burchatts Farm Barn as a case study, and provide 'Partial assurance with improvements required' (AMBER RED). This rating is lower than management's forecast and is driven by the lack of clear and comprehensive procedures and controls over the disposal of community assets.</p> <p>Through discussions with the Property & Asset Manager, review of relevant documentation and further research, we determined the project timeline for the disposal of Burchatts Farm Barn and considered the lessons which can be learned by the Council going forward.</p> <p>The Council put in place a robust Asset Management Strategy and Framework in 2014 that outlines that community value should be considered alongside financial viability when making decisions about the future of community assets, but the document has not been reviewed or updated since its creation and is not representative of current Council operations. We found there to be inconsistent procedures, policies and governance structures in place for the disposal of community assets. The Council recently introduced a new procedure for assessing less than best consideration disposals where a minimum of market rent has been offered, but in the case study of Burchatts Farm Barn, we found there to be a lack of consistency regarding how the Council was measuring the merit of potential lessees. There is a need to increase the transparency of the tender process to demonstrate robust governance in Council decision-making.</p> <p>In the case of Burchatts Farm Barn, we identified areas to improve the consistency and effectiveness of governance arrangements. The Council was unable to provide sufficient documentation to evidence when key decisions were made and by whom, and there was no clear corporate record to evidence effective decision making. Although the business case was approved, some of the information it included was found to be inaccurate, and there is no evidence that alternatives to commercial leasing were considered until five years after the Council first commissioned a market report for leasing. There was no evidence that the Council monitored, assessed or reported of cost or benefits realised. The Council should formalise stages for considering and presenting alternatives as part of the decision making process and these alternatives should be reported appropriately in the governance structure.</p> <p>The Council discharged its legal responsibility by notifying the community of the proposed disposal in an advert in the local newspaper. This occurred after a tenant had been already been selected. At the lessee's planning application stage 86 written objections were submitted. The Council should consider broadening the range of communication channels it uses to notify and engage with the public regarding proposed community asset disposals.</p> |



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