

Corporate Governance and Standards Committee Report

Report of Chief Internal Auditor

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## Internal audit plan 2015-16

### Recommendations

The Committee is recommended to approve the audit plan for 2015-16 set out in Appendix 1. The Committee is also recommended to approve the audit plan for the first half of 2015-16 set out in Appendix 2 and note progress against the plan for the period October 2014 to March 2015 contained in Appendix 3.

Reason(s) for Recommendation: To ensure an adequate level of audit coverage

### 1. Purpose of Report

To present the draft audit plan for 2015-16 and the work programme for the first half of the year, which is extracted from the audit plan. This report also presents a calculation of the resources required for the proper audit of Council services.

### 2. Strategic Priorities

- 2.1 The audit of Council services supports the priority of providing efficient, cost effective and relevant quality public services that give the community value for money.

### 3. Background

- 3.1 We have based the plan on a risk assessment in line with best practice. We aim to audit the majority of services at least once every three years although we review the major systems annually. We update the risk assessment after each audit.
- 3.2 We base the audit planning process on an assessment of risk and the resources available. The audit plan is a balance between supply and demand and is affected by unplanned events even though there is a contingency budget. The current audit resources are:

In-house resources	2.67 FTE
Senior Auditor (Temp) and Contractor	0.75 FTE
Total resources	3.42 FTE

- 3.4 We have to ensure that the level of audit coverage is sufficient to provide assurance on the overall standard of corporate governance. The planning process includes.
1. identifying the audit universe (all of the areas that require audit attention)
  2. carrying out a risk assessment to identify the level of risk and the appropriate frequency of audit
  3. an estimate of the resources required to carry out the audits
  4. reviewing how we resource the plan
  5. producing the audit plan based on the available resources
- 3.5 The audit plan includes a certain amount of contingency to allow for unplanned work because the actual requirements will vary from year to year. We base the planned figure on records from previous years but it can only ever be an estimate.
- 3.6 Over the last few years, we have augmented in house audit resources by employing a contractor. In 2014-15, we appointed Haines Watts on a two year contract to carry out the fundamental systems work and technical ICT audits.
- 3.7 During 2014-15 there were internal resource problems so we used the contractors to cover the shortfall. In addition we have employed an experienced auditor on a temporary, part-time basis to ensure that planned work is covered
- 3.7 The plan aims to cover areas that support the Council's strategic priorities, governance issues and financial probity. In addition, we have to reflect the recent changes within the Council. These changes bring both opportunities and challenges for us. Audit skills are relevant to many of the new initiatives across the Council and we have become involved in both lean and fundamental service reviews, which are part of the overall business improvement programme. While this is not traditional audit work it affords an in depth knowledge of the services that a purely systems audit would not always provide and is therefore an important source of information about the Council. This information feeds into the risk assessments.
- 3.8 We also need to be aware that there are increased risks in times of change. Over the last year there have been significant changes with fundamental service reviews in two major services. There are also continuing financial pressures on the Council to provide value for money. This means being more efficient and effective and looking for innovative ways of working. The

challenge for audit is to help services become leaner and more effective within a controlled environment.

- 3.9 Change and uncertainty does affect staff and increases the risk of system failure, the relaxation or circumvention of the expected controls and fraudulent activity. We need to ensure that the appropriate control measures are in place and applied consistently across all services. We also need to be sure that we have good governance arrangements in place and that we are operating within both the legal framework and our own protocols and standards.
- 3.10 In general the overall control framework within the Council is sound with sufficient controls in place to prevent significant loss but it would be wrong to ignore the changes that are taking place and how this affects people and systems. There is no evidence to suggest that there is a systemic problem but it would be wrong not to factor these into the risk assessments.
- 3.11 This is a challenging time for audit. We need to be proactive in helping services move forward, improve and achieve the desired outcomes of the Corporate Plan but we also need to ensure that effective systems of governance and control are in place.
- 3.12 We will review the audit structure during 2015-16 to ensure that we have the right mix of resources to come up with the best solution for the future.

#### **4. Audit Plan 2015-2016**

- 4.1 The plan is extracted from the audit planning system and includes both the high risk annual audits and the overdue audits. The overdue audits are either low risk or have previously been subject to only a partial audit.
- 4.2 The plan produced for 2015-16 shows a resource requirement for 926 days. The total available days using current resources is year is 665 days. The shortfall will be covered by 120 days from the contractor plus the appointment of a new senior auditor. The post has been agreed and will shortly be advertised. This will not only cover the shortfall in the work programme but also provide some succession planning for the future.
- 4.3 The resource calculation takes into account the total available time less time for annual leave, bank holidays, sick leave, training, appraisals and other non-rechargeable work. The figure for non-rechargeable works is based on previous experience (all members of internal audit complete timesheets therefore the estimates are reasonably accurate). We try to keep non-productive time to a minimum and there is a monthly target of 90 per cent productive time for all audit staff.
- 4.4 The full year's plan is set out in Appendix 1 and the proposed work plan for the first six months of 2015-16 is in Appendix 2. The plans show the latest risk assessment based on the updated risk assessment. The risk ratings are as follows:

<b>Risk score</b>	<b>Audit frequency</b>
A	Annual audit

B	Audit every two years
C	Audit every three years
D	Audit every five years

- 4.5 The plan is ambitious and wide ranging. There are many challenges ahead for the Council. We have tried to strike a balance between reviewing the basic financial and management controls, the major governance areas that we must get right, the smaller services and the fundamental systems on which the external auditor bases his opinion.
- 4.6 In addition the plan includes value for money audits to identify the potential for trading services which is an objective in the Corporate Plan. We will be working with managers to help them to deliver different service options either through channel shift, automation or different service models with the appropriate level of control.
- 5. Progress against the plan October 2014 to March 2015**
- 5.1 The last six months have continued to be unpredictable and this has affected the delivery of the planned work. As a result we have employed Haines Watts to carry out three further audits.
- 5.2 Progress against the plan for the period October 2014 to March 2015 is set out in Appendix 3. Where audits have been postponed due to specific operational reasons they have been carried forward to 2015-16.
- 6. Financial Implications**
- 6.1 The financial implications of the new post were the subject of a growth bid which has been agreed .
- 7. Legal Implications**
- 7.1 The Local Government Act 1972 (S151) requires that a local council “shall make arrangements for the proper administration of their financial affairs”.
- 7.2 The 1972 Act is supported by the Accounts and Audit Regulations 2011 which state that “ A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control “.
- 7.3 The internal audit plan is necessary to satisfy these legal obligations.

**8. Human Resources**

- 8.1 There are no HR implications. We will manage the shortfall during the course of the year and will adjust the plan as necessary.

**9. Conclusion**

- 9.1 This is a time of change for the organisation. The audit plan for 2015-16 is structured to reflect the changing needs and priorities of the Council. We will continue to review the audit service to ensure that we have the necessary resources and expertise to deliver a robust audit plan in line with best practice.

**Appendix 1 – Proposed Audit Plan 2015-16**

<b>Operational</b>					
<b>Service Unit</b>	<b>Risk Score</b>	<b>Audit Days</b>	<b>Audit Type</b>	<b>April-Sept</b>	<b>Oct - March</b>
<b>Economic Development</b>					
Asset Development	B	10	Systems Audit	5	5
Electric Theatre	B	2	Follow-Up		2
Guildford House	B	2	Follow-Up		2
Museum	B	2	Follow-Up		2
Guildhall	B	2	Follow-Up		2
Industrial Estates	A	15	Systems Audit		15
TIC	B	2	Follow-Up		2
<b>Planning</b>					
Dev Control	A	10	Compliance Audit		10
Building Control	A	10	Compliance Audit		10
Land Charges	B	10	Compliance Audit		10
<b>Operational Services</b>					
Abandoned Vehicles	C	5	Compliance Audit	5	
CCTV	B	5	Follow-Up		5
Dog Control	C	5	Systems Audit	5	
Fleet management	B	25	Systems Audit	10	15
Parking	A	15	New System Implementation	15	
Park&Ride	C	5	Performance review	5	
Refuse And Recycling	B	10	VFM Audit		10
Street Cleansing	B	10	VFM Audit	10	
Vehicle Maintenance	B	10	Systems Audit		10
<b>Parks and Leisure</b>					
Crematorium	B	8	Systems Audit	8	
Glive	B	8	Follow-Up		8
Countryside Management	B	20	Review prior to FSR	5	15
Leisure Management Contract	B	10	Follow-Up	5	5
<b>Financial Services</b>					
Main Accounting	A	10	S151 Audit		10
Treasury Management	A	10	S151 Audit		10
Debtors	A	10	S151 Audit		10
<b>Revenues and Payments</b>					
Council Tax	A	10	S151 Audit		10
Housing Benefit	A	10	S151 Audit		10
NNDR	A	10	S151 Audit		10
Payroll	A	10	S151 Audit		10
Insurance	B	10	Compliance Audit		10
Creditors	A	10	S151 Audit		10

Cash and Bank (Adelante)	A	5	Follow-Up	5	
Creditors FSR	A	15	Lean Review	15	
Purchase to Pay System	B	8	Follow-Up	8	
Self-Employed	B	10	Follow-Up		10
Taxable Benefits	B	10	Follow-Up		10
Authorised Signatories	A	3	Compliance Audit	3	
<b>Legal and Democratic Services</b>					
Elections	B	10	Compliance Audit		10
Electoral Registration	B	10	Compliance Audit		10
<b>Health and Community Care</b>					
Civil Emergencies	A	10	Systems Audit	10	
Community Meals	B	10	Systems Audit	5	5
Community Transport	B	10	Systems Audit	5	5
Day Centres	B	10	Systems Audit	5	5
Emergency Communications	B	5	Systems Audit	5	
Premises Licenses	A	10	Systems Audit	5	5
Food and Safety	A	10	Compliance Audit	10	
Grants to Voluntary Organisations	B	5	Compliance Audit	5	
Health and Safety	B	10	Compliance Audit		10
Licensing System	A	10	Compliance Audit	5	5
Pest Control	B	5	Compliance Audit	5	
Taxi Licensing	A	10	Compliance Audit	5	5
<b>Housing Advice</b>					
Affordable Housing	B	5	Systems Audit	5	
Homelessness	B	10	Systems Audit	10	
Tenancies	B	10	Systems Audit	10	
<b>NHMS</b>					
Building Maintenance	B	10	Systems Audit		10
Traveller Caravan Sites	B	5	Follow-Up	5	
Stores	A	10	Follow-Up	5	5
Gas Servicing	A	10	Follow-up	10	
<b>Corporate Development</b>					
Energy Management	B	10	Systems Audit		10
<b>Human Resources</b>					
Selima	A	5	Systems Audit	5	
HR Policies	A	5	Systems Audit	5	
Pay and Grading (Post je)	A	10	Systems Audit		10
Agency staff	B	10	Systems Audit	10	
Home Working/Remote Access	B	10	Systems Audit	10	
Staff Benefits	B	5	Systems Audit		5

<b>Governance</b>					
Risk Management	A	10	Performance Review	5	5
Performance Management	A	10	Performance Review	5	5
Procurement	A	10	Performance Review	5	5
Asbestos	A	10	Follow-Up	10	
Legionella	A	10	Follow-Up		10
Fire Risk	A	10	Performance Review	10	
Complaints	A	5	Performance Review	2.5	2.5
Project Management	A	5	Performance Review	2.5	2.5
Data Quality	A	10	Systems Review	5	5
Public Health and Wellbeing A	A	5	Performance Review		5
Trading Services	A	5	Performance Review		5
Emergency Planning	A	5	Performance Review	5	

<b>Business Systems</b>					
Network Security	A	10	Systems Audit		10
Access Controls	A	10	Follow-up		10
Telecoms	B	10	Systems Audit	10	
Information Security	A	10	Systems Audit		10
IT Renewals	B	5	Systems Audit		5
Asset Management	B	5	Follow-up	5	

<b>Contracts</b>					
Service Contracts	A	20	Systems Audit	10	10
Term Contracts	A	20	Systems Audit	10	10
Capital Projects	A	20	Systems Audit	10	10

<b>Non Rechargeable</b>					
Sick Leave		20		10	10
Appraisals		5		2.5	2.5
1:1s		5		2.5	2.5
Training		5		2.5	2.5
External Audit		3		1.5	1.5
Audit Planning		5		2.5	2.5
Supervision of Jobs		3		1.5	1.5
Audit Management		5		2.5	2.5
CDMT		3		1.5	1.5
Committee Reports		3		1.5	1.5
Recommendation Management		5		2.5	2.5



Corporate Dev. Support		3		1.5	1.5
Administration		3		1.5	1.5
Audit Contract		3		1.5	1.5

<b>Non Audit Duties</b>					
Mayors Fund		3		3	
Ombudsman		15		7.5	7.5
Equalities		5		2.5	2.5
Lean		15		7.5	7.5
FOI/SAR		15		7.5	7.5
Special Projects		15		7.5	7.5
	Total Days	926		410	516

<b>Resources Required to carry out the plan</b>	<b>4.41FTE</b>
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<b>Current Resources</b>			<b>FTE</b>
Senior Auditor			0.81
Auditor			0.86
Chief Internal Auditor			1
Senior Auditor Temp & Contractor			0.75
			3.42
New Senior Auditor post			1
<b>Resources 2015/16</b>			<b>4.42</b>

<b>Total Days for Plan Coverage</b>	<b>GBC</b>	<b>Contractor</b>	<b>Total</b>
	<b>665*</b>	<b>120</b>	<b>785</b>

\*Calculated 210 x3.17

<b>Resource Calculation</b>	
Total Available Days in year	262
Less leave and bank holidays	41
	221
Less non rechargeable	
Sickness	5
Training	3
Appraisals etc	3
<b>Net Days per year</b>	<b>210</b>

<b>Appendix 2 - Work Plan April-September 2015</b>				
<b>Operational</b>		<b>Risk Rating</b>	<b>Audit Type</b>	<b>April-Sept</b>
Asset Development	10	A	Systems Audit	5
Abandoned Vehicles	5	C	Compliance with legal procedures	5
Dog Warden	5	C	Compliance with legal procedures	5
Fleet Management	25	B	Management Controls	10
Parking	15	A	System Implementation	15
Park and Ride	5	C	Systems Audit	5
Street Cleansing	10	B	VFM Audit	10
Crematorium	8	B	Systems Audit	8
Countryside Management	20	B	Review prior to FSR	5
Leisure Management Contract	10	B	Follow up from 2014-15	5
Cash and Bank (Adelante)	5	A	Follow up from 2014-15	5
Creditors FSR	15	A	Compliance with legislation	15
Purchase to Pay System	8	B	Follow up from 2014-15	8
Authorised Signatories	3	A	Compliance audit	3
Civil Emergencies	10	A	Governance Framework Review	10
Community Meals	10	B	Systems Audit	5
Community Transport	10	B	Systems Audit	5
Day Centres	10	B	Systems Audit	5
Emergency Communications	5	B	Systems Audit	5
Premises Licences	10	A	Compliance with regulations	5
Food and Safety	10	A	Compliance with regulations	10
Grants	5	B	General ad hoc advice and small projects	5
Licensing	10	A	Compliance with regulations	5

Pest Control	5	B	VFM Audit	5
Taxi Licensing	10	A	Compliance with regulations	5
Affordable Housing	5	B	Performance Monitoring Audit	5
Homelessness	10	B	Systems Audit	10
Lettings and Tenancies	10	B	Counter fraud systems review	10
Traveller Sites	5	B	Follow- up Financial controls	5
Stores	5	A	Follow-Up Asset management controls	5
Gas Servicing	10	A	Compliance with regulations	10
Telecommunications	10	B	Systems Audit	10
ICT Asset Management	5	B	Asset Management Controls	5
Selima (HR System)	5	A	Systems Audit- Data Security	5
HR Policies	5	A	Governance Audit	5
Agency Staff	10	A	VFM Audit	10
Remote Working	10	B	VFM Audit and Management Control	10
<b>Totals</b>				<b>259</b>

<b>Contract Audit</b>				
Service Contracts	20	A	<b>Governance Audit</b>	10
Term Contracts	20	A	<b>Governance Audit</b>	10
Capital Projects	20	A	<b>Governance Audit</b>	10
<b>Totals</b>				<b>30</b>

<b>Governance</b>				
Risk Management	10	A	Governance audit	5
Performance Management	10	A	Governance audit	5
Procurement	10	A	Governance audit	5
Asbestos	10	A	Governance audit	10

Fire Risk Assessments	10	A	Governance audit	10
Complaints	5	A	Governance audit	2.5
Project Management	5	A	Governance audit	2.5
Data Quality	10	A	Governance audit	5
Emergency Planning	5	A	Governance audit	5
<b>Totals</b>				<b>50</b>

<b>Non-Rechargeable</b>				
<b>Management and Overheads</b>				
Sick Leave	20			10
Appraisals	5			2.5
1:1s	5			2.5
Training	5			2.5
External Audit	3			1.5
Audit Planning	8			2.5
Supervision of Jobs	5			1.5
Audit Management	5			2.5
CDMT	3			1.5
Committee Reports	5			1.5
Recommendation Management	5			2.5
Corporate Dev. Support	3			1.5
Administration	3			1.5
Audit Contract	3			1.5
<b>Totals</b>				<b>35.5</b>

<b>Non Audit Duties</b>				
Mayors Fund	3		Compliance	3

Ombudsman	15		Compliance	7.5
Equalities	5		Compliance	2.5
Lean	15		VFM	7.5
FOI/SAR	15		Compliance	7.5
Special Projects	15			7.5
<b>Totals</b>	<b>74</b>			<b>35.5</b>

Total Days April to September 2015 = 410 days

<b>Appendix 3 Progress against Plan 2014-15</b>					
<b>Operational</b>	<b>Risk Rating</b>	<b>Audit Type</b>	<b>Complete</b>	<b>In Progress</b>	<b>Carried Forward</b>
HB	A	s151 audit	Y		
Council Tax	A	s151 audit	Y		
Rents	A	s151 audit	Y		
Main Accounting	A	s151 audit	Y		
Treasury Management	A	s151 audit	Y		
NNDR	A	s151 audit	Y		
Payroll	A	s151 audit	Y		
Creditors	A	s151 audit	Y		
Debtors	A	s151 audit	Y		
Car Parks	A	Fundamental Service Review	Y		
Glive contract	A	Compliance with contract	Y		
Finance Controls Misc Expenditure)	A	Compliance with financial procedures	Y		
Authorisation Controls	A	corporate authorisation controls	Y		
Procurement Cards	B	Management Controls		Y	
Fleet Maintenance	A	Systems Audits - Operational	Y		
Trade Waste	B	Systems Audits - Operational	Y		
CCTV	A	Compliance with legislation	Y		
Bailiffs	B	Compliance with Regulations - new system	Y		
Environmental Health (Food Standards)	A	Compliance with legislation			Y
Direct Debits	A	Compliance with legislation	Y		
Taxable Benefits	A	Compliance with legislation	Y		
MOT	B	Systems Audit	Y		

Fuel Management	B	Systems Audit Follow-Up	Y		
Electoral Registration	B	Systems Audit			Y
Elections	A	Compliance with legislation			Y
Garage Clearance	A	System and data quality audit			Y
Sale of Council Houses	C	Compliance with legislation	Y		
Homelessness	B	Compliance with legislation			Y
Improvement Grants	B	Compliance with legislation	Y		
Planning	A	Compliance with legislation	Y		
Licensing	A	Compliance with legislation	Y		
Stores (follow-up)	B	Asset management audit	Y		
Markets	C	Systems Audit	Y		
Dog Warden	C	Compliance with legislation		Y	
Noise Nuisance	B	Reviewing new system		Y	
Guildhall	C	Asset Management Review	Y		
Museum	B	Systems Audit -Operational	Y		
TIC	B	Systems Audit -Operational	Y		
Electric Theatre	B	Systems Audit -Operational		Y	
Guildford House	B	Systems Audit -Operational	Y		
Petty Cash & Floats	C	Compliance with financial procedures	Y		
General Advice to Services		General ad hoc advice and small projects	Y		

<b>Contract Audit</b>					
Purchase to Pay	A	Contract audit	Y		
New Payments System	A	Contract audit	Y		
Kitchens and bath refurbishments	A	Contract audit		Y	
Engineering-Highways contracts	B	Contracts Audit			Y

<b>ICT</b>					
Network Security	A	Compliance with best practice	Y		
ICT Project Management	A	Compliance with best practice	Y		
Access Controls	A	Compliance with best practice	Y		

<b>Governance</b>					
Risk Management	A	Governance audit	Y		
Performance Management	A	Governance audit	Y		
Procurement	A	Governance audit	Y		
Legionella/Asbestos	A	Governance audit follow-up	Y		
information Security	A	Governance audit	Y		
Complaints	A	Governance audit	Y		
Project Management	A	Governance audit	Y		
Data Quality	A	Governance audit	Y		
Public Health and Wellbeing Agenda	A	Governance audit	Y		
Trading Services	A	Governance audit	Y		
Emergency Planning	A	Governance audit	Y		
Contingency					

<b>Extra Work</b>					
Recharges				Y	
Premises Licences				Y	
Pest Control			Y		
Licensing Taxis			Y		
MOT			Y		
<b>Non Audit Duties</b>					
Mayors Fund		Compliance	Y		
Elections		Resourcing			



Ombudsman		Compliance			
Equalities		Compliance			
Lean					
FOI/SAR					
Special Projects					
<b>Totals</b>			54	6	6
<b>Summary</b>					
<b>Complete</b>	<b>53</b>	<b>91%</b>			
In progress	7				
Carried Forward	6	<b>9%</b>			
<b>No of Audits Carried Out</b>	<b>66</b>				

**Appendix 4 – Summary of Audit Opinion 2014-15**

<b>Total Productive Audit Work (inc extra Work)</b>	66	60	91%
Substantial	8	13%	
Reasonable	36	60%	
Limited	5	8%	
No Assurance	0	0%	
No Opinion	4	7%	
In Progress	7	12%	
	<b>60</b>	<b>100%</b>	