



# Internal Audit Progress Report

**Guildford Borough Council**

KPMG Governance, Risk and Compliance Services

---

January 2023

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# Executive Summary

The purpose of this document is to provide the Corporate Governance and Standards Committee with an update on the Internal Audit plan for 2022-23. We have summarised below the key points since we last reported to you:

Activity	Comments
Progress against the plan	<ul style="list-style-type: none"> <li>— We have finalised and issued the report for our Corporate Programmes: Redevelopment Projects review.</li> <li>— Fieldwork is complete for our Core Financial Controls: Budgetary Controls review with the draft report due to be issued in January.</li> <li>— Following the discussion at the last CGSC meeting, we agreed with Management to undertake an additional review looking at the payroll budget discrepancy identified in 2022. Fieldwork for this review is in progress.</li> <li>— We are due to commence fieldwork for our remaining 2022/23 reviews in January.</li> </ul>
Reports completed	<ul style="list-style-type: none"> <li>— We have finalised our report on Corporate Programmes: Redevelopment Projects. See appendix A for the executive summary of this report.</li> </ul>
Significant findings to highlight	<ul style="list-style-type: none"> <li>— We raise one high priority finding in our Corporate Programmes: Redevelopment Projects review around the tracking of procurement activity.</li> </ul>



## For information

- January 2023 internal audit progress report

## Progress of plan

Below is the status of the 2022-23 Internal Audit plan as approved by the Corporate Governance and Standards Committee. We highlight the 'core' reviews driving our 2022/23 Head of Internal Audit Opinion.

Internal audit	Status						Results	Management Actions			
	Planning	Fieldwork	Draft Report	Final Report	Reporting to CMB	Reporting to CGSC	Overall Rating	High	Medium	Low	Total
01/22: IT Infrastructure for Remote Working	✓	✓	✓	✓	✓	✓	Significant assurance with minor improvement opportunities	-	1	2	3
02/22: Performance Monitoring – KPI Review One <b>(Core)</b>	✓	✓	✓	✓	✓	✓	Significant assurance with minor improvement opportunities	-	1	2	3
03/22: Performance monitoring – KPI Review Two <b>(Core)</b>	✓	✓	✓	✓	✓	✓					
04/22: Performance monitoring – KPI Review Three <b>(Core)</b>	✓	✓	✓	✓	✓	✓					
05/22: Customer Services: Complaints Handling	✓	✓	✓	✓	✓	✓	Partial assurance with improvements required	1	2	2	5
06/22: Corporate Programmes: Redevelopment Projects <b>(Core)</b>	✓	✓	✓	✓	✓	✓	Partial assurance with improvements required	1	3	2	6
07/22: Risk management <b>(Core)</b>	✓	✓	✓	✓	✓	✓	Significant assurance with minor improvement opportunities	-	1	2	3

## Progress of plan (cont.)

Internal audit	Status						Results		Recommendations		
	Planning	Fieldwork	Draft Report	Final Report	Reporting to CMB	Reporting to CGSC	Overall Rating	High	Medium	Low	Total
08/22: Financial controls: budgetary controls <b>(Core)</b>	✓	✓	w/c 23 January	w/c 06 February	28 February	15 March	Not due	-	-	-	-
09/22: Financial controls: general ledger <b>(Core)</b>	✓	In progress	w/c 30 January	w/c 13 February	28 February	15 March	Not due	-	-	-	-
10/22: Financial controls: payroll <b>(Core)</b>	✓	✓	✓	✓	✓	✓	Significant assurance with minor improvement opportunities	-	1	1	2
11/22: s.106 Contributions	In progress	w/c 23 January	w/c 06 February	w/c 20 February	28 February	15 March	Not due	-	-	-	-
12/22: Follow up reviews from 2021-22	✓	In progress	w/c 30 January	w/c 13 February	28 February	15 March	Not due	-	-	-	-
13/22: Regeneration	In progress	w/c 23 January	w/c 06 February	w/c 20 February	28 February	15 March	Not due	-	-	-	-
14/22: Financial controls: journals <b>(Core)</b>	✓	In progress	w/c 30 January	w/c 13 February	28 February	15 March	Not due	-	-	-	-
15/22: Payroll Budget Discrepancy (additional review)	✓	In progress	w/c 23 January	w/c 06 February	28 February	15 March	Not due	-	-	-	-
							Total	<b>2</b>	<b>9</b>	<b>11</b>	<b>22</b>

# Appendix A – Corporate Programmes – Redevelopment Projects

## Conclusion

We reviewed the design and effectiveness of processes and controls over corporate programmes and provide ‘partial assurance with improvements required’ (**amber red**), which is in line with management’s expectation. As part of our review, we reviewed the operating effectiveness of controls for the Weyside Urban Village (WUV) development project. Our assurance rating is driven by the need for more stringent tracking and monitoring of WUV procurement activity to ensure that actual project spend is in line with contracts. There is no formal, ongoing monitoring of procurement contracts and spend against them. Our testing of 15 procurement contracts identified 3/15 contracts where the total individual contract spend is 150% of the original contract value but re-procurement had not been initiated, as per the requirements of the policy.

There are significant stages throughout the corporate programmes process that have input from multiple stakeholders including Council management and consultants. It is vital that there is sufficient capacity in the team to ensure that there is appropriate oversight of all of these key stages. We raise a finding around management recruiting a dedicated Programme Manager to provide this management and oversight.

The new Project and Programme Management (PPM) Governance Framework sets out the project lifecycle stages and embeds the requirements for project mandates and business cases. Policies and procedures outline the input from service areas including Finance, Legal and Procurement at the various mandate and business case stages.

The Council onboarded Verto as a reporting tool. Baselines for time, cost and quality are extracted from business case documents and input on Verto to ensure that objectives are being delivered. Project data and information are stored on shared drives rather than using Verto as a project data and information management system.

Financial data is extracted from Business World, the Council’s finance system, and manually input into Verto for project finance reporting. The Council should explore system integration between Verto and Business World for a seamless financial reconciliation and reporting..

## Summary

<b>Overall rating:</b>	<b>Partial assurance with improvements required</b>	
<b>Priority rating:</b>	Control design	Operating effectiveness
High	-	1
Medium	3	-
Low	2	-

# Executive summary

## Conclusion (cont.)

There are robust governance structures including a Major Projects Portfolio Board (MPPB), Sub Portfolio Programme Boards (SPPB) and the Enterprise Portfolio Board (EPB) for appropriate oversight, management and approval of corporate programmes. However, we found that Executive receive reporting on WUV once a year. We raise a finding to increase the frequency of reporting so that Executive have oversight of key milestones, financial summaries and key risks and issues.

The membership of MPPB and SPPB comprises of councillors and senior Council officers. Membership includes key internal stakeholders like legal, procurement and finance.

# Executive summary

## Areas of good practice

- ✓ There are detailed mandate and business case guidance circulated internally as part of the new PPM Governance Framework.
- ✓ Template mandate and business cases are available for consistency across the Council.
- ✓ Verto has been onboarded by the Council as a project management tool. Baselines for time, cost and quality from the business case as well as the project lifecycle, approval gates and key deliverables are illustrated on the system.
- ✓ Highlight reporting can be generated from Verto with data fields automatically populated from project data held on the system.
- ✓ EPB has been established as the Corporate Management Board (CMB) sitting as a strategic change board to ensure that sufficient senior management oversight of delivery of corporate programmes.

## Summary of key findings

### Tracking of WUV procurement activity

- 2.1** It is crucial that the Council monitors spend against the original contracted value and where there are large variances, involve procurement and legal advice as per the Council's Procurement Procedure Rules. Variation in contractual scope should formally require procurement and legal advice.

### Recruitment of Programme Manager

- 2.2** The Programme Manager is responsible for assisting the Head of Regeneration and Corporate Programmes in tracking progress and monitoring the operational delivery plan for the corporate programmes portfolio.

### Centralised WUV project reporting on Verto

- 2.3** The Council should align all project reporting processes with the use of Verto to ensure that highlight reporting generated is complete and accurate.

### Increased frequency of WUV financial reporting to Executive

- 2.4** Given the ongoing increases in project costs due to inflation and increasing prices, we recommend that the Council presents the WUV financial report to the Executive biannually to allow for appropriate oversight of changes in project budgets.

### System integration between Verto and Business World

- 2.5** The Council should explore integration between Verto and Business World for integrated financial reporting.

### Verto as a data and information management system

- 2.6** Currently, project data is stored in shared drives and transferred to Verto for reporting purposes.

# Findings and management actions

## 2.1 Tracking of WUV procurement activity

High

It is crucial that the Council monitors their contractual spend against the original contracted value and where there are large variances, involve procurement and legal advice as per the Council's Procurement Procedure Rules. Variation in contractual scope should formally require procurement and legal advice.

The Council Procurement Procedure Rules outlines that where an individual contract reaches 150% of agreed contract spend, the contract needs to undergo re-procurement.

From our sample of 15 WUV contracts, we noted that 3/15 has exceeded the contractual value threshold but re-procurement has not been initiated. On average, the spend value exceeded the contract value by 159% (£648k).

There are no monitoring processes of overall purchase orders raised against the contractual value, which allows sign-offs on purchases on contracts that have far exceeded the re-procurement threshold. There is a risk that budgets set are not accurate or unachievable if actual spend values exceeds the budgeted contract value. Currently, variation in scope on contracts do not formally require procurement or legal advice,

The Council should formally require legal and procurement advice where there is variation in scope to contracts. Whilst there is ongoing work on a procurement tracker to track WUV procurement activity, the Council needs to have ongoing reconciliation between the contract value and actual spend. Where the spend is close to 150% of the contract value, re-procurement processes should be initiated as per policy.

**Risk:** There are insufficient governance structures in place to provide appropriate oversight of corporate programmes.

Policies and processes do not adequately support the management of corporate programmes.

### Agreed management actions:

1. Develop a complete WUV procurement activity tracker including contract value against current spend
2. Reconcile purchase orders to contract value in the procurement tracker on an ongoing basis.
3. Ensure re-procurement process is initiated where the spend has reached 150% of the contract value.
4. Require legal and procurement sign-off where there is variation to scope of contract.
5. Review the resource capacity within supporting teams, such as Procurement, Legal, and Finance as well as the WUV project team, to ensure processes to track procurement activity can be embedded.

### Evidence to confirm implementation:

1. Legal and procurement advice required where there is variation to scope of contract.
2. Purchase orders reconciled to contract value in the procurement tracker on an ongoing basis.
3. Re-procurement initiated where spend has exceeded 50% of the contract value.

### Responsible person/title:

Executive Head of Regeneration and Planning Policy

### Target date:

31 May 2023



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