



Southern Internal Audit Partnership

Assurance through excellence
and innovation

GUILDFORD BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT MAY 2023

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June 2023

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

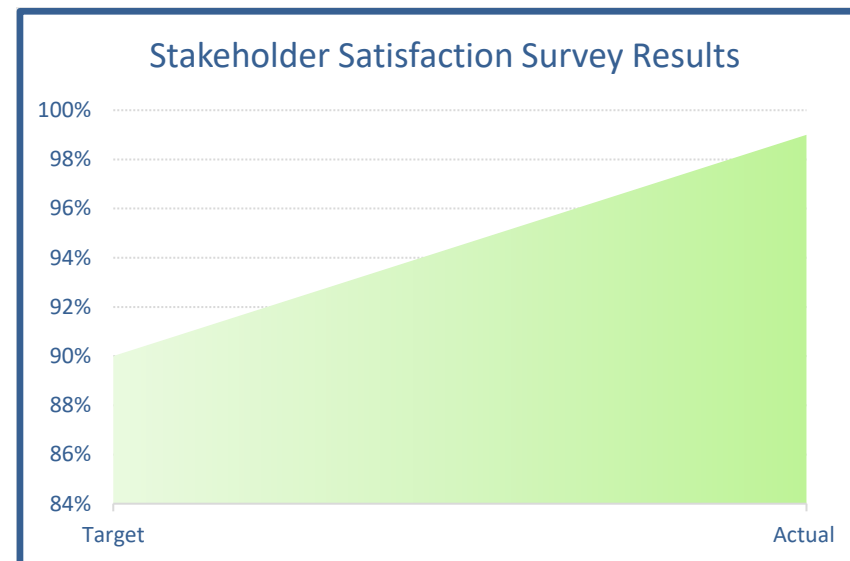
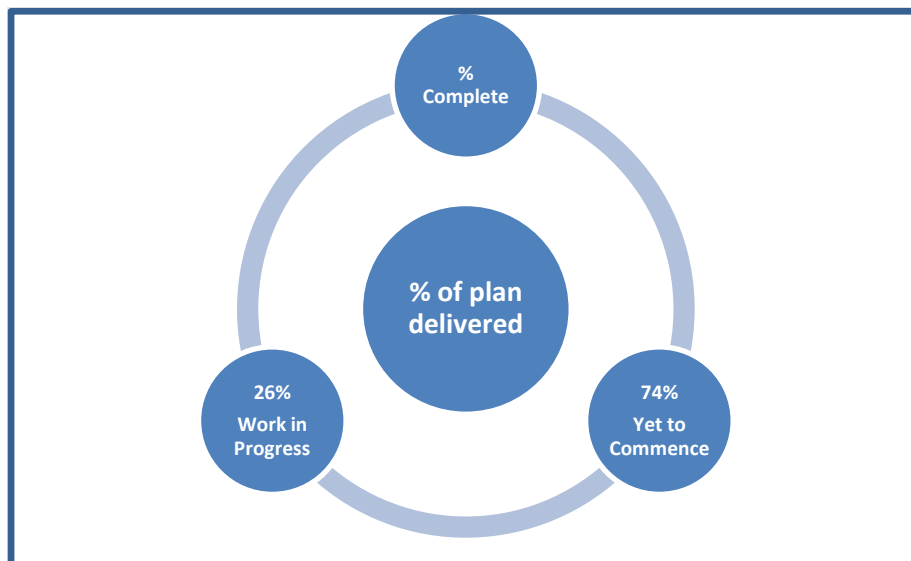
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	<i>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</i>
Reasonable	<i>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</i>
Limited	<i>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</i>
No	<i>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</i>

* Some reports listed within this progress report (pre 2023-24 audit plan) refer to categorisations applied by the Council’s previous internal auditors – KPMG. The definitions applied to these categorisations is provided at Annex 3. Opinions applied to all work from 2023/24 are in accordance with the CIPFA standard definitions.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due	Complete	Overdue		
							L	M	H
2022/23 KPMG Reviews									
Performance Monitoring	June 22	T&G, PL	Significant (minor improvement opportunities)	4 (0)	4 (0)				
Customer Services – Complaints Handling	Aug 22	T&G	Partial	10 (6)	2 (0)	7 (6)	1		
Payroll	Sept 22	T&G	Significant (minor improvement opportunities)	3 (0)	0 (0)	1 (0)		2	
Risk Management	Oct 22	T&G	Significant (minor improvement opportunities)	5 (0)	5 (0)				
IT Infrastructure for Remote Working	Nov 22	CW	Significant (minor improvement opportunities)	6 (0)		2	4		
Redevelopment Projects	Jan 23	PL	Partial	12 (5)	5 (0)	0		2	5
Budgetary Control	Feb 23	T&G	Partial	9 (5)	9 (5)				
S106 Contributions	Mar 23	PL	Significant (minor improvement opportunities)	6 (0)	6 (0)				
Core Financial Controls – Journals	Mar 23	T&G	Significant (minor improvement opportunities)	3 (0)	3 (0)				
Payroll Budget Discrepancy	Mar 23	T&G	Partial	5 (3)	5 (3)				
Core Financial Controls – General Ledger	Mar 23	T&G	Significant (minor improvement opportunities)	4 (0)	4 (0)				
2023/24									
No reports yet finalised									
Total							5	4	5

*Total number of actions (total number of high priority actions)

Audit Sponsor (Joint Strategic Director)		
Community and Wellbeing (CW)	Place (PL)	Transformation and Governance (T&G)

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no reports published concluding a “Limited” or “No” assurance opinion to date for 2023/24.

6. Planning & Resourcing

The internal audit plan for 2023-24 was presented to the Corporate Management Board and the Corporate Governance and Standards Committee in March 2023.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Four adjustments to the plan have been made since the plan was approved by this Committee in March 2023 and these are reflected within section 8 of this report. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate								
Savings Realisation	T&G							Q3
Procurement	T&G	✓	✓	✓				
Health and Safety (Corporate)	PL							Q3
Governance								
Information Governance	CW	✓	✓	✓				
Fraud Framework	T&G							Q2
Decision making and Accountability	PL							Q3
IT								
Cyber Security	CW							Q4
Identity and Access Management	CW							Q3
Core Financial								
Accounts Receivable and Debt Management	T&G	✓	✓					
Housing Benefits	T&G							Q2

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Main Accounting	T&G							Q3
Homes and Jobs								
Housing Voids	CW	✓						
Housing Allocations	CW	✓						
Responsive and Emergency Repairs	CW							Q4
Building Control	T&G							Q3
Environment								
Fleet Operations	PL							Q2
Community								
Safeguarding	CW							Q4
Supporting Vulnerable People	CW	✓	✓	✓				
Other								
Car Parks and Enforcement	T&G							Q2

8. Adjustments to the Internal Audit Plan

The following adjustments to the plan have been made.

Plan Variations	
Removed from the Plan	Reason
Risk Management	Audited in 2022/23 by KPMG, no significant issues identified.
Payroll	Audited in 2022/23 by KPMG, no significant issues identified.
Planned Maintenance	Removed to accommodate housing Allocations as a higher priority
Added to the Plan	Reason
Fraud Framework	Anti-Fraud and Corruption Strategy being reviewed and updated. Management request to review changes. This will be undertaken encompassing a wider review of the corporate fraud framework.
Main Accounting	Following review of the completed KPMG 2022/23 report and management /Member concern around budget monitoring this has been added for 2023/24.
Housing Allocations	Brought forward from 2025/26 as considered a higher priority area by management

Annex 1

Overdue 'High Priority' Management Actions

Redevelopment Projects – Partial Assurance			
Observation: 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.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Develop a complete WUV procurement activity tracker including contract value against current spend	31.05.2023	TBC	None – response to enquiry not received due to other resource pressures.
Reconcile purchase orders to contract value in the procurement tracker on an ongoing basis	31.05.2023	TBC	None – response to enquiry not received due to other resource pressures.
Ensure re-procurement process is initiated where the spend has reached 150% of the contract value.	31.05.2023	TBC	None – response to enquiry not received due to other resource pressures.
Require legal and procurement sign-off where there is variation to scope of contract.	31.05.2023	TBC	None – response to enquiry not received due to other resource pressures.
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	31.05.2023	TBC	None – response to enquiry not received due to other resource pressures.

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Customer Services – Complaints Handling	Aug 2022	Partial	Low	31.03.2023	30.09.2023
Payroll	Aug 2022	Significant	Medium	31.12.2022	30.09.2023
			Medium	31.12.2022	30.09.2023
IT Infrastructure for Remote Working	Nov 2022	Significant	Low	31.01.2023	31.12.2023
			Low	31.01.2023	31.12.2023
			Low	31.01.2023	31.12.2023
			Low	31.12.2022	31.10.2023
Redevelopment Projects	Jan 2023	Partial	Medium	30.04.2023	TBC
			Medium	30.04.2023	TBC

Annex 3

Assurance Opinion	Definition
Significant assurance	The system is well designed and only minor low priority management actions have been identified related to its operation. Might be indicated by priority three only, or no management actions (i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process).
Significant assurance with minor improvement opportunities	The system is generally well designed however minor improvements could be made and some exceptions in its operation have been identified. Might be indicated by one or more priority two management actions. (i.e. there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring).
Partial assurance with improvements required	Both the design of the system and its effective operation need to be addressed by management. Might be indicated by one or more priority one, or a high number of priority two management actions that taken cumulatively suggest a weak control environment. (i.e. the weakness or weaknesses identified have a significant impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
No assurance	The system has not been designed effectively and is not operating effectively. Audit work has been limited by ineffective system design and significant attention is needed to address the controls. Might be indicated by one or more priority one management actions and fundamental design or operational weaknesses in the area under review. (i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks)