Southern Internal Audit Partnership

Assurance through excellence and innovation

GUILDFORD BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT JANUARY 2024

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FEBRUARY 2024

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:
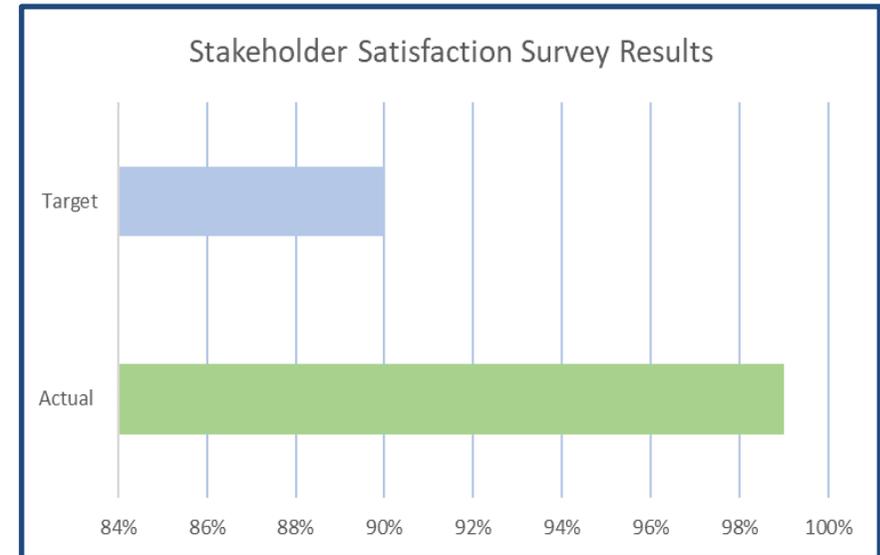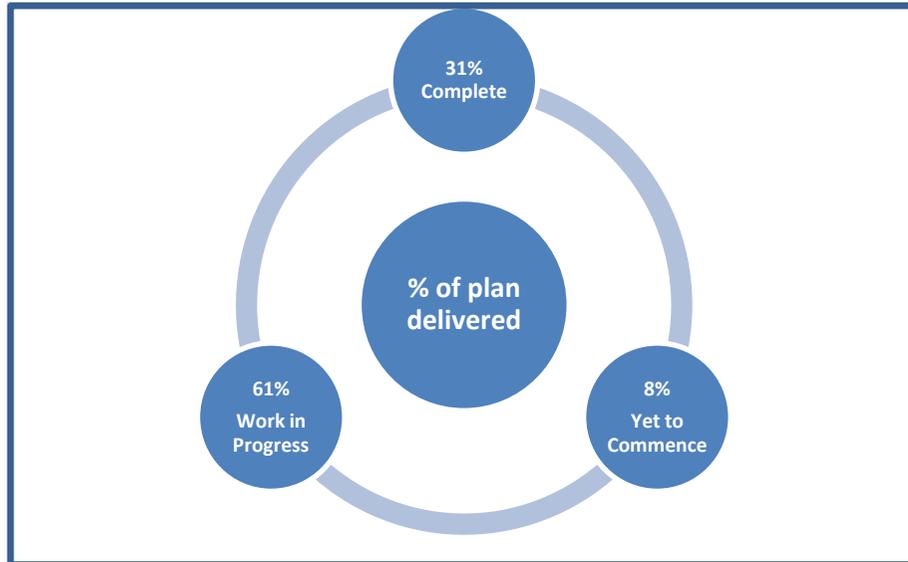
- The status of 'live' internal audit reports;

- 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 *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.*

Reasonable *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.*

Limited *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.*

No *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.*

* 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

Circular diagram titled "% of plan delivered" showing: 31% Complete, 61% Work in Progress, 8% Yet to Commence.

Bar chart titled "Stakeholder Satisfaction Survey Results" showing Target (approximately 90%) and Actual (approximately 99%), with axis from 84% to 100%.

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									
Customer Services – Complaints Handling	Aug 22	JSDoT&G	Partial	10 (6)	0(0)	9 6)	1		
Payroll	Sept 22	JSDoT&G	Significant (minor improvement opportunities)	3 (0)	0 (0)	1 (0)		2	
Risk Management	Oct 22	JSDoT&G	Significant (minor improvement opportunities)	5 (0)	2 (0)	3 (0)			
IT Infrastructure for Remote Working	Nov 22	JSDoCW	Significant (minor improvement opportunities)	6 (0)	0 (0)	5 (0)	1		
Redevelopment Projects	Jan 23	JSoP	Partial	12 (5)	0 (0)	7 (5)	2	3	
Budgetary Control	Feb 23	JSDoT&G	Partial	9 (5)	0 (0)	5 (4)		3	1
S106 Contributions	Mar 23	JSDoP	Significant (minor improvement opportunities)	6 (0)	0 (0)	2 (0)	No update received		
Core Financial Controls – Journals	Mar 23	JSDoT&G	Significant (minor improvement opportunities)	3 (0)	0 (0)	2 (0)		1	
Payroll Budget Discrepancy	Mar 23	JSDoT&G	Partial	5 (3)	0 (0)	3 (2)	1		
Core Financial Controls – General Ledger	Mar 23	JSDoT&G	Significant (minor improvement opportunities)	4 (0)	0 (0)	0 (0)		4	
2023/24									
Procurement	31.10.2023	JSDoT&G	Reasonable	9 (2)	4 (1)	5 (1)			
Information Governance	04.12.2023	JSDoT&G	Reasonable	14 (6)	13 (6)	1 (0)			
Accounts Receivable and Debt Management	20.12.2023	JSDoT&G	Limited	8 (3)	8 (3)				
Housing Allocations	21.12.2023	JSDoCW	Reasonable	1 (1)	1 (1)				

Total						**5**	13	1

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

Audit Sponsor (Joint Strategic Director)			
JSDoT&G	Joint Strategic Director of Transformation and Governance	JSDoP	Joint Strategic Director of Place
JSDoCW	Joint Strategic Director of Community Wellbeing		

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

There have been two reports published concluding a "Limited" or "No" assurance opinion since our last progress report in November 2023.

Homes for Ukraine

Audit Sponsor	Assurance opinion	Management Actions		
Joint Strategic Director Community Wellbeing	**Limited**	**Low** **1**	**Medium** **2**	**High** **3**

Summary of key observations: Although a discussion with the key contacts found that they are fully aware and understand the Homes for Ukraine Scheme roles and responsibilities of each department, including regulatory, re-matching and welfare, there is no clear breakdown or structure in place stating "Councils" responsibilities, and where they sit.

Initial inspection checks are being undertaken by the Resettlement Officers to ensure safeguarding aspects are appropriate, complete ID verification and to report any identified issues or concerns. A review of the inspection checklists, letters and supporting documentation noted that the visits are being undertaken and recorded in line with the guidance. However, our audit testing identified some instances where the initial inspection was not carried out before the Guest arrived to ensure a safe environment. Additionally, on the occasions where Guests have arrived prior to the initial inspection, records within the Foundry sheet show that both the initial and secondary safeguarding visits happen as one, combined inspection. For all secondary inspection visits in these cases, although the date is recorded on Foundry Master Sheet, there is little paperwork completed to evidence the second inspection portion of the visits.

If new accommodation is required for the rematching of Sponsors and Guests, this is tracked and monitored within the Foundry Master Sheet, however, there was some evidence that was unable to be provided in support of the rematching cases.

We were informed that Sponsor duplicate checks are being undertaken as part of the Sponsor application process, however, the checks are not recorded to support this statement.

It is necessary for the records monitoring and the status verification to take place to the household situation, to ensure Guests are still with the Sponsor and they are still eligible for the payment. Although we noted that the communication is being held between Sponsors and the Council, the 6 month point continuity sponsorship checks are not being recorded. We were advised that an additional check/third visit will be introduced as a further control to ensure that the Guest still lives with the Sponsor and they are still eligible for the payment, however, that check is currently in a development stage.

Ukrainian Sponsor application outcome letters are being sent to the successful and rejected Sponsors, providing key information and reasoning, and within the Scheme unique reference numbers are used as identifiers for each Sponsor. The reference number allows the Sponsor to claim their thank you payments for participating in the Scheme. Through sample testing it was identified that some of these reference numbers aren't consistent across supporting Sponsor documentation such as inspection forms and outcome letters which are issued.

Accounts Receivable and Debt Management				

Audit Sponsor	Assurance opinion	Management Actions		
Joint Strategic Director Transformation and Governance	Limited	Low 1	Medium 4	High 3

Summary of key observations:

An overarching Debt Management Policy is in place. However, review found that it is devoid of key elements conducive to an effective debt recovery process, such as providing a schedule of recovery action (i.e., defining the frequency of warning letters) or a sub-policy on the triggering criteria inducing involvement of the Council's procured debt recovery enforcement business (Rundle's Recovery). It is not evident from the document itself whether it has been reviewed and approved by the Executive Leadership Board, nor when it was last updated and whether it is a live document, further compounded by the mention of "draft" on the first page.

There are no defined role profiles or procedure notes attributing ownership to key tasks. Although a basic overview sheet has been produced during the course of the audit, this isn't comprehensive and elements such as the clearing and review of the suppressed debts are not included.

All invoices tested were authorised according to the authority limits as set in the Business World system, however, the Financial Procedures Rules state that a list of staff is to be maintained who are approved to authorise invoices, which was not made available during the course of the review. Whilst limits are built into the system and enforced through the flowcharts, there is no documentation to support how this was set up or whether it is correctly configured.

Suppressed debts (suspended recovery actions) as designated through "Complaint Codes" are not verifiably suppressed with an accompanying justification and documentation and there is no procedural check for staff to review their status and ensure that they are being actioned, or to resume recovery where necessary. Furthermore, it did not appear determinable from the system audit logs who had applied the Complaint Codes, therefore we could not establish whether this function is restricted only to those authorised to apply it. The amount currently suppressed is in excess of £2million.

In addition to those suppressed, 32 out of 55 debts tested were not being actively recovered despite not baring a formal Complaint Code. Where in these cases recovery was suspended temporarily (resulting in only a delay of letter issuing) or the ceasing of letters altogether, no evidence was available on system to support these actions, or any indicator for current staff to investigate or pursue their recovery.

There are no checks in place of subscription payment proposals to ensure that the staff who set them up did so accurately and in accordance with terms that are documented and retained.

There is no documented timescale by which invoices are to be set up once raised (by the wider business areas), therefore we did not test the timeliness of the raising of invoices, due to the absence of a policy to refer against.

The Fees and Charges sheet, although approved by the Budget Council, is not available in its latest form on the Council website under "Budget books", the most recent version being dated 2019-20.

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. A number of 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								
Procurement	T&G	✓	✓	✓	✓	✓	Reasonable	
Governance								
Information Governance	T&G	✓	✓	✓	✓	✓	Reasonable	
Fraud Framework	T&G							Unable to progress as no key contact information provided
Decision Making and Accountability	T&G	✓	✓	✓				
Core Financial								

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Accounts Receivable and Debt Management	T&G	✓	✓	✓	✓	✓	Limited	
Housing Benefits	T&G	✓	✓	✓	✓			
Main Accounting – Reconciliations, Feeder Systems	T&G	✓	✓	✓				
Main Accounting – Budgetary Control	T&G	✓	✓	✓				
Treasury Management	T&G	✓	✓	✓				
Contract Management	T&G	✓						
Accounts Payable	T&G	✓						
Homes and Jobs								
Housing Allocations	CW	✓	✓	✓	✓	✓	Reasonable	
Other								
Car Parks and Enforcement	T&G	✓	✓	✓				

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 due to a separately commissioned investigation within this area.
Health and Safety (Corporate)	Removed to accommodate reviews of higher priority.
IT – Identity and Access Management	Removed to accommodate reviews of higher priority.
Responsive and Emergency Repairs	Removed to accommodate Housing Allocations as a higher priority.
Fleet Operations	Removed to accommodate reviews of higher priority.

Housing Voids	Capacity issues within the department, due to the impact of the ongoing major investigation.
Savings Realisation	Due to ongoing work on the Financial Recovery Plan, better timed in 2024/25 as part of a financial recovery focused audit review.
IT Cyber Security	DLUC funding received for external assessment.
Building Control	Capacity issues within the department.
Safeguarding	Reassessed as better timed for 2024/25 to allow for new staff to embed and review processes.
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.
Treasury Management	Reassessed as a high priority review due to significant financial pressures faced by the Council.
Contract Management	Reassessed as a high priority review due to significant financial pressures faced by the Council.
Accounts Payable	Reassessed as a high priority review due to significant financial pressures faced by the Council.

Annex 1

Overdue 'High Priority' Management Actions

Budgetary Control – Partial Assurance			
Observation:			
Review of the 2021/22 budget identified that a large proportion of variances were in relation to staff expenditure.			
Management Action	**Original Due Date**	**Revised Due Date**	**Latest Service Update**
Ensure that use of agency staff in service areas are robustly challenged by Finance.	30.09.2023	30.11.2023 **31.03.2024**	This has begun but not fully in place. One of the focuses during Q4 will be around setting a process for all agency staff including a review of all staff.

Annex 2

Overdue 'Low & Medium Priority' Management Actions

Low & Medium Actions Outstanding

Customer Services – Complaints Handling

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
Currently, there is no formal process for reflection of lessons learnt and common themes arising from complaints data.	Analyse complaints data periodically to draw out common complaint themes to be fed back to service areas. Where actions have been identified for improvement, they should be tracked to completion.	(31.03.2023) **30.04.2024** 31.12.2023	The technical aspects should be implemented during February. The roll out to the organisation will come after this but we now need to ensure that this is in line with the new complaints code that was issued by the housing ombudsman recently so will need to review our approaches to ensure we are compliant

Payroll

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
There are no formal polices and procedures outlining the roles and responsibilities of officers across HR, Payroll and Resources. Management are broadly aware of overarching	Produce a policy document outlining roles and responsibilities of HR, Payroll and Caseworkers (Resources) in each stage of the payroll process.	(31.12.2022) 30.04.2024	This information is documented within KBAs in the Helpdesk. A policy document can be created, this

processes for payroll and there is guidance provided through individual KBAs and Business World flowcharts, however evidence is not retained for all controls in place as there is no overarching policy setting out these requirements	Set up a checklist of expected documents to be shared across the functions and retained for each individual, clearly indicating the control to be performed, who by, when this is to be performed and management sign off that the checklist is complete.		work will be added to the existing list of policy review priorities for HR.

IT Infrastructure for Remote Working

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
The Corporate-level Business Continuity Plan (BCP) is to be drafted and then reviewed and approved by Corporate Management Board (CMB).	Ensure the Corporate-level BCP is reviewed and approved at CMB.	(31.12.2022) TBC	Under our contract, Applied Resilience are leading on the review of the Corporate level BCP. Update from AR (04/02/2023) is as follows: • V1.0 of the Strategic BC plan for Guildford Borough Council (May 2022) is in place. This plan is being reviewed to account for the collaboration of Guildford and Waverley Borough Councils. That review is still underway. • We have the Guildford and Waverley BC Corporate Business Continuity Policy V1.0 (March 2023). This is being reviewed alongside the Plan as it is stipulated in the

			plan that there should be a full review of Plan alongside the policy within 24 months.
			• The policy has been signed off by JMT (March 2023) although the Strategic BC plan is in draft form.
			• The progress on this plan has been hindered somewhat by the number of hours Applied Resilience have put into various incidents in recent months however business continuity is a high priority on their workload and Strategic BC plan along with finalisation of SLP (Service level plans) is at the top of the agenda going forward.

Redevelopment Projects

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
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.	Fill the Programme Manager role.	(30.04.2023) 31.03.2024	Job description rewritten but needs to be evaluated prior to commencement of recruitment activity.
	Define responsibilities of the Programme Manager role.	(30.04.2023) 31.03.2024	Linked to above
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	Bi-annual WUV financial reporting to Executive.	(31.07.2023) 29.02.2024	Next report scheduled for January/ February 2024 Executive and Full Council meetings. Will include briefings for Councillors beforehand.

biannually to allow for appropriate oversight of changes in project budgets.			
The Council should explore integration between Verto and Business World for integrated financial reporting.	Explore Verto and Business Word system integration to export financial data on Business World to Verto.	(30.09.2023) 31.03.2024	Work has been focused on baselining information, including budgets and spend, within Verto. Work has also been underway to refine Business World operations so not appropriate to look at this action yet.
Currently, project data is stored in shared drives and transferred to Verto for reporting purposes.	Explore use of Verto as a data and information management system.	(30.09.2023) 31.03.2024	Focus has been on addressing complex issues within the Weyside programme and therefore this action has not been prioritised.

Budgetary Controls

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
The Council should utilise the finance system, Business World for the budget setting and monitoring process.	Draw up a formal action plan for transitioning the budget setting process to Business World with actions, actions owners and due dates	(30.09.2023) 31.03.2024	There is significant work to be done on how we use business World including a plan on how we do this. New support has been recruited and will need to embed before any action is undertaken.
The Council should ensure that the Financial Procedure rules are	Review and update the Financial Procedure Rules.	(30.09.2023) 28.02.2024	Delayed due to the resource needing to be directed to 24/25 budget setting - work has started and should be finished by end of the month.

reviewed regularly to ensure that it is relevant and up to date.	Obtain relevant approval of the revised Financial Procedure Rules from relevant committees.	(30.09.2023) 28.02.2024	

S106 Contributions

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
Through testing a sample, we found one instance where the draft agreement was not reviewed by the s.106 officer.	Management should implement a checklist for the various review stages prior to planning decisions being made and decisions sent to Developers.	(30.09.2023) 31.01.2024	No update following request sent 12/01/24
	Completed checklists, along with evidence of each review stage, should be held within Acolaid, or an appropriate shared folder which relevant team members have access to.	(30.09.2023) 31.01.2024	
We found that Council procedure documents relating to s.106 contributions have not been reviewed, updated and approved in several years.	Management should define a review cycle for policies and procedure documents and review accordingly.	30.09.2023) 31.01.2024	

Through our sample testing, we have identified instances where there were delays in the receipt of contributions from developers but no interest was charged. We also identified instances where there were delays in issuance of invoices to developers	Update policies and procedure documents to clarify the timeframes for finance in providing calculations to the s.106 officer to minimise delays in issuing invoices.	30.09.2023) 31.01.2024	

Core Financial Controls - Journals

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
The Council SFI's do not set out approval limits based on the sign off required for journals of significant monetary value.	Update Business World workflows to reflect approval limits.	(30.09.2023) 28.02.2024	Part of the Finance Recovery Plan - will start to look at this in January 2025

Payroll Budget Discrepancy

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
The payroll projection functionality on Business World could be utilised at the Council.	Investigate the mechanism for starting to forecast payroll costs, including the potential use of the Business World payroll projection function.	(30.09.2023) 31.03.2024	Unable to use the BW payroll function at the moment as no posts for position numbers in BW. A new report has been set up to give managers insight into their establishment and will be available from month 7.

Core Financial Controls – General Ledger

Observation	Management Action	(Original) and Latest Revised Target Date	Latest Service Update
Through testing a sample of monthly reconciliations we found that not all reconciliations between the ledger and key subledger, accounts and systems had been consistently performed. We also note that there is no segregation of duties ensuring that reconciliations are performed and reviewed and approved by separate individuals.	Update policies/SFIs to clarify the requirement for all monthly reconciliations to be reviewed in a timely manner.	(30.09.23) 28.02.2024	This has been delayed due to the resource needing to be directed 24/25 budget setting - work has started and should be finished by end of the month.
	Ensure there is clarity in policies/SFIs regarding the roles and responsibilities for which individuals are required to perform the reconciliations and those required to review and approve.	(30.09.2023) 31.03.2024	This has commenced in preparation for year end and should be completed and documented by the end of current year.
	Ensure that the monthly work monitor includes a field to record the management review of reconciliations performed.		
	Review the frequency of reconciliations.		

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)