
Southern Internal Audit Partnership

Assurance through excellence
and innovation

GUILDFORD BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT JULY 2024

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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:

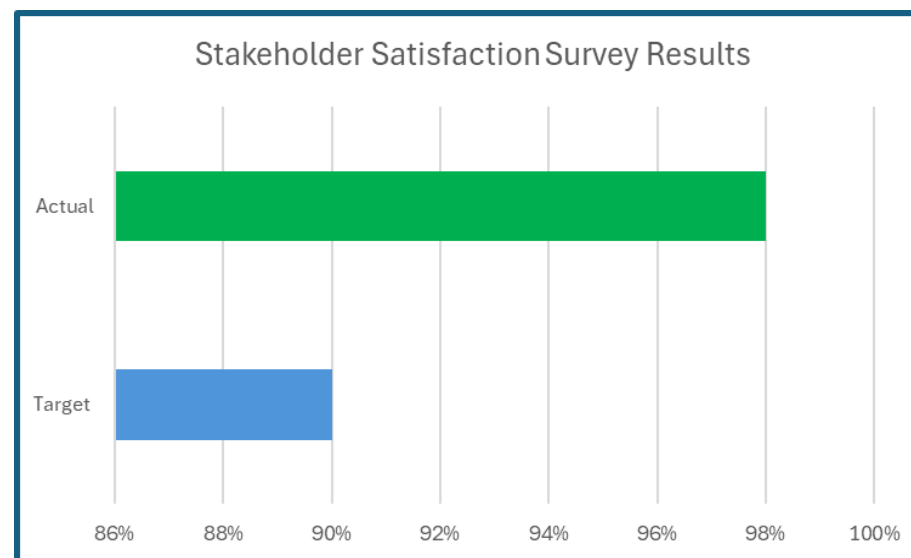
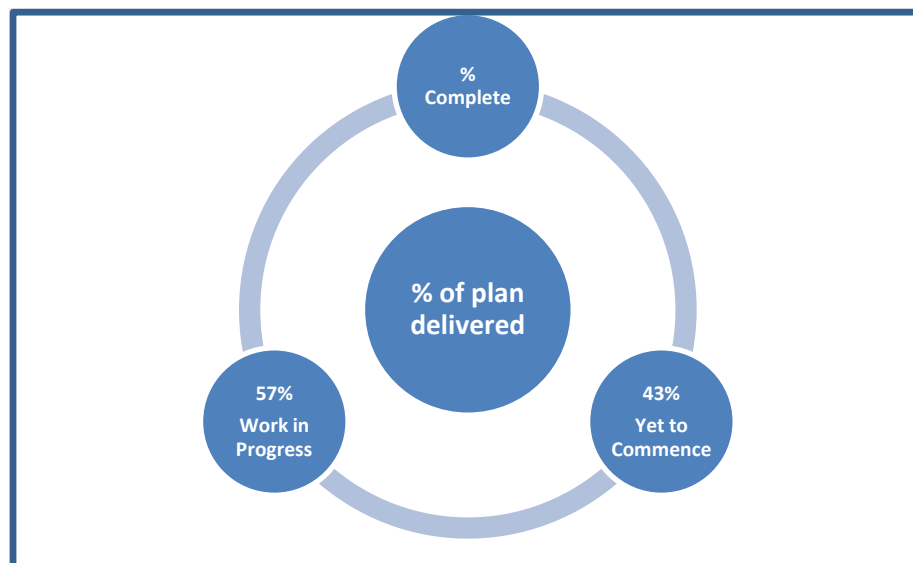
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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									
Payroll	Sept 22	JSDoT&G	Significant (minor improvement opportunities)	3 (0)	0 (0)	1 (0)		2	
Redevelopment Projects	Jan 23	JSoP	Partial	12 (5)	0 (0)	11(5)		1	
2023/24									
Accounts Receivable and Debt Management	20.12.2023	JSDoT&G	Limited	8 (3)	1 (0)	4 (3)	1	2	
Housing Allocations	21.12.2023	JSDoCW	Reasonable	1 (1)	0 (0)				1
Housing Benefits	07.02.2024		Limited	9 (2)	0 (0)	7 (1)		1	1
Car Parks and Enforcement – Penalty Charge Notices	19.04.2024		Reasonable	3 (0)	3 (0)	0 (0)			
Accounts Payable	21.06.2024		Limited	14 (2)	12 (1)	2 (1)			
Main Accounting – Budget Monitoring	15.07.2024		Limited	12 (0)	4 (0)	8 (0)			
Total							1	6	2

*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 no reports published concluding a “Limited” or “No” assurance opinion to date for 2024/25.

6. Planning & Resourcing

To ensure internal audit focus remains timely and relevant to the changing needs and requirements of the organisation SIAP have adopted an approach of quarterly planning. The quarter 1 and 2 plans were approved by the Council’s Corporate management Board and the Corporate Governance and Standards Committee in June 2024.

SIAP will continue to liaise with key stakeholders over the remainder of the year to develop ongoing quarterly plans. The rolling work programme (section 7 below) outlines audit activity during 2024/25 (Q1 & Q2).

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate								
Improvement Plan – Framework of Governance	Chief Executive							
Governance								
Annual Governance Statement	Finance	✓	✓					
Core Financial								
Council Tax	Finance	✓	✓					
National Non-Domestic Rates	Finance	✓	✓					
Medium Term Financial Planning	Finance	✓	✓					
Housing Rents	Community Wellbeing							
Other								
Fleet Operations	Community Wellbeing							

Overdue 'High Priority' Management Actions

Housing Allocations – Reasonable Assurance

Observation:

We noted that the documented Housing Allocation Scheme published on the Council's webpage was last amended in March 2019 following its creation in August 2014. The document sets the Council's policy on applications to join the housing register, and the priorities the Council will follow to ensure that available housing is allocated fairly and transparently.

Whilst our review of the Housing and Homelessness page on the Council's website found that it provided up to date practices and information on the process for applying to the housing register, bidding for advertised properties and the allocation of housing, the details outlined in the Allocation Scheme does not reflect these current practises.

We observed that the Department for Levelling Up, Housing and Communities publishes Social Housing Allocation Guidance for Local Authorities, with several guidance updates published since the Allocation Scheme was last reviewed in 2019.

We also observed that the Allocation Scheme does not include a review timescale or responsible officer for reviewing and updating it.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Partial refresh of current allocation scheme to ensure up to date and in line with current practices. Timescale for full review of the scheme which would include consultation with stakeholders will be included in the allocation scheme during the partial refresh.	31.03.2024	TBC	In progress. Updated Scheme with Legal Services for review.

Housing Benefits – Limited Assurance

Observation:

As at end of September 2023 the Civica Housing Benefits Overpayments report shows a balance of £2.87M dating back as far as 1991 (down from £3.37M in September 2022). However, this is not an accurate figure of the actual amount of overpaid housing benefit that needs to be recovered. This is due to:

- Repayments processed via Business World are not deducted from this report as there is no direct interface between the two systems. A manual exercise to reflect these payments on the benefits system is therefore necessary and this has not been completed.

- Ongoing deductions from benefit are not reflected within the Overpayments report.
- Those accounts where it is determined that no further action is required have not been removed from the Overpayments report i.e. write offs, and where instalment plans have been put in place.

We were informed that the Finance Specialist, solely responsible for managing overpayments, left in November 2020, leaving a gap with no resource taking care of this aspect. However, we noted that a number of actions on overpayments have been taken since.

We were advised that the Housing Benefits Team took ownership over debt recovery and manage the process in-house. The Revenues & Benefits Specialist commenced an exercise since December 2022 to identify benefits overpayments for each financial year, initially focusing on higher values and going back to 2015, to determine whether they have been repaid via Business World, are being recovered through deduction from ongoing benefit, or if no action is required.

This labour-intensive housekeeping process, to clear repaid debt sitting on the Housing Benefit system until notified by Business World, once completed, will provide a more accurate figure for overpayments to be recovered. However, resource constraints result in work undertaken on this being sporadic. Additionally, there is no clear strategy on what debts to focus on i.e. older or higher value. The Revenues and Benefits Specialist is maintaining an Outstanding Overpayments Monitoring File and we noted that clear colour coding is being used in File to record the actions taken.

Our high level analysis of the profile of the aged debt shows:

- £550k relates to the period 1991 – 2013.
- £2,197,692 relates to 2013 – 2020 (pre Covid).
- £618,216 from March 2020.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
<p>The issue is old debts not put through the current process, and loss of control and monitoring/reconciliation because of restructures and software changes. This is the matter that we have been working to address.</p> <p>Overpayments as shown on Civica and Business World to be reconciled by 31/05/2024.</p>	31.05.2024	30.09.2024	<p>In progress.</p> <p>Progress has been slower than anticipated because none of the existing BW reports provides a list with common data that can be matched with any Civica extracts.</p>

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Payroll	Aug 2022	Significant	Medium	31.12.2022	30.09.2024
			Medium	31.12.2022	30.09.2024
Redevelopment Projects	Jan 2023	Partial	Medium	30.04.2023	31.01.2025
Accounts Receivable and Debt Management	Dec 23	Limited	Medium	31.03.2024	31.03.2024
			Medium	30.04.2024	30.11.2024
			Low	31.03.2024	TBC
Housing Benefits	Feb 24	Limited	Medium	31.05.2024	31.12.2024

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)