
**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

**GUILDFORD BOROUGH COUNCIL
ANNUAL INTERNAL AUDIT REPORT & OPINION 2023-2024**

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to:

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

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 organisation’s 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. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



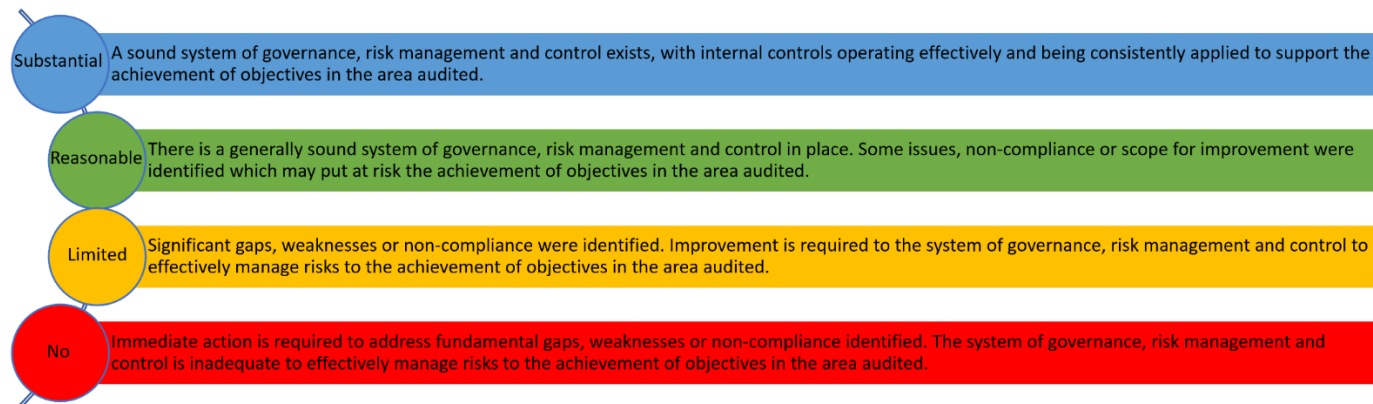
The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council's activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2023-24 internal audit plan was considered by the Corporate Governance and Standards Committee in March 2023. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Corporate Management Board and reported in detail to the Corporate Governance and Standards Committee through the internal audit progress reports.

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:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We have established a positive working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and implementing actions to mitigate weaknesses impacting on organisational governance, risk and control over the 2023-24 financial year.

Annual Internal Audit Opinion 2023-24

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

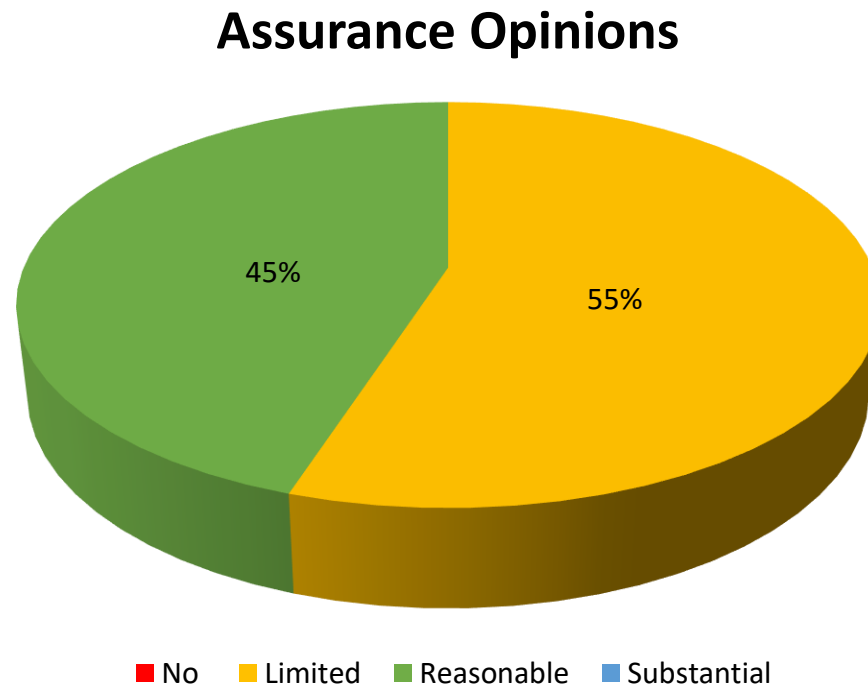
In my opinion framework of governance, risk management and management control is **limited**.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2023-24 reviews

The outcomes from our reviews have been reported to the Corporate Governance and Standards Committee throughout the year and a summary of the assurance opinions is outlined below.



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2023-24 we undertook a review of Information Governance which concluded with a reasonable assurance opinion.

In January 2024, SOLACE was commissioned to undertake an Independent Governance Review of Guildford Borough Council (GBC), to encompass the entirety of the Council's business, structure, processes, systems, and culture. Alongside this, SOLACE was asked to look specifically at Guildford's housing landlord function.

The main findings of the reports are that the Council is at serious risk of failing in its statutory duty to deliver Best Value.

The Council were accepting, and fully recognised the recommendations from the review. Since taking up post in February 2024, there was early acknowledgement from the Chief Executive of the challenges faced by the Council and a positive direction of travel to address many of the issues referenced in the SOLACE governance report were already in progress, albeit the Improvement Plan has been further enhanced as a result of the review.

Some of the key elements of the plan are to:

- Establishing clear strategic direction and values for the Council.
- Ensuring provision of best value for money.
- Implementing effective governance across the organisation.
- Ensuring effective service delivery.

Internal audit will continue to monitor progress against the Improvement Plan during 20024/25.

Risk management

The Council's risk management framework was audited in 2022/23 by the Council's previous auditors and this resulted in a substantial assurance opinion.

The Strategic Risk register is formally reported to Corporate Governance and Standards Committee biennially (June and November for 2023).

Through our review of minutes and attendance at Committee we have evidenced comprehensive discussion on risk management at these meetings. Where actions are identified from discussions these are recorded and updated on a rolling action sheet that is also presented along with the risk register.

Control

Internal audit work throughout the year found there to be a limited control environment in place across the majority of review areas, highlighting notable gaps, weaknesses or non-compliance in the control framework across a number of key service areas.

Management actions have been agreed as a result of each review and are monitored to completion to ensure that the identified risks and issues are addressed. The key areas of challenge identified or confirmed through our work during the year are outlined below:

Main Accounting – Control Accounts and Reconciliations (Limited)

The Council has not carried out an exercise to review accounts within Business World's cost centre hierarchy to identify those it considers to be holding accounts, control accounts, feeder accounts, suspense accounts or any other account which informs a statutory return or external submission and should therefore be subject to regular re-allocation of balances, reconciliation, and review. Consequently, there is no control to identify the age and value of any balancing items and assess their potential impact on the integrity of the balances within any accounts they may need to be transferred to.

With the caveats that management had little awareness of what was being done to manage the balances within these accounts; there were limited process notes in place; and, that reconciliations / submissions were not subject to review by a separate officer, there was evidence that five out of the six accounts were being managed. The one exception being the Rates Holding Account where no evidence of monitoring was evidenced.

Whilst not tested as part of this review, a recent audit of Car Parking highlighted that there were no arrangements in place to reconcile the Penalty Charge Notice (PCN) income recorded in the parking system to that recorded within Business World.

There was evidence that a process was in place to reconcile transactions from the Orchard Housing Account to those within Business World, however, the Finance Specialist currently responsible for the account had only recently taken ownership, with no process notes or handover from the previous officer and had therefore been unable to complete a reconciliation or identify the correct accounting treatment for a number of carried forward balancing items on the reconciliation inherited.

In order to ensure key tasks relating to the management of the general ledger and the production of the accounts are carried out, it is common for a timetable of key activities to be in place. While a Monthly Monitoring Spreadsheet which contained elements of such control was provided by the Lead Specialist (Finance) & Deputy S151 Officer before leaving the Council, they confirmed it had not been relied upon or updated for some time or shared with the Interim Finance Executive who would be managing this process going forwards.

The departing Lead Specialist (Finance) & Deputy S151 Officer also confirmed that no alternative control to ensure key tasks had been identified, assigned to appropriate officers for completion and review, or to monitor completion had been established.

While a Finance Specialist has been assigned responsibility for identifying key accounting processes and producing a comprehensive suite of process guidance notes and a mechanism for ensuring they are reviewed and updated as necessary, there were limited or no in-date process notes available to officers spoken to during the course of this audit, with officers confirming they were often unsure of the correct processes to follow.

Although evidence was provided by a Senior Specialist Finance Officer that Business World's automated roll-forward of balances function had been utilised for the opening financial period of 2023-24 and then repeated at the end of each subsequent financial period, there is no formal reconciliation available to give assurance that the figures rolled forwards correctly reflect those stated in the Council's most recent published accounts.

We were unable to confirm through testing that a robust system of monitoring and control for both automated and manual journal postings is in place. Similarly, we were unable to confirm a robust system of control in place for user access to Business World.

Main Accounting – Budget Monitoring (Limited)

There is a mixed approach to budget monitoring by budget holders. The Council is in a transitional phase and is putting in place new practices, however, at the time of the review we were unable to confirm the new practices to be in place and working.

A Financial Management Guide has been written for budget holders to use, however, at the time of the audit it had not been approved or rolled out. Additionally, there are no operational procedures for the Financial Specialists to ensure a consistent approach to budget monitoring and provision of support.

There is currently no training in place for budget holders. A training schedule and power point presentation is awaiting approval before being rolled out to budget holders, but at the time of the audit we were not able to confirm when the formal training will commence.

Whilst a budget monitoring timetable was in place it was not available to budget holders, instead they rely on their Financial Specialist leads informing them of financial deadlines.

A savings tracker has been designed which will provide a tool for budget holders to use. It will provide an explanation of movement in forecasts, summary comments, and emerging budget risks for the Corporate Management Board. However, at the time of the audit the tracker had not been approved or rolled out to budget holders.

Accounts Payable (Limited)

Payments for the period April 2023 to mid-March 2024, highlighted some delays in paying supplier invoices. Data analysis across the 2023/24 financial year highlighted that on average 83% of the invoices are being paid within the agreed 30 days terms, with the set target of 90%.

Analysis across the 2023/24 financial year also highlighted that 41% of all purchase orders were raised after the invoice was received. We further noted that running the Open Purchase Orders report is a task that the Accounts Payable (AP) Team has recently started this calendar year (Jan 2024) having not been done regularly since March 2021. Review of the latest report found that there are 2,371 open purchase orders, dating back to March 2021.

It was established that systematic vendor data cleansing exercises have not regularly been undertaken to review and remove inactive supplier records. This increases the risk of old supplier's accounts being targeted for fraud. Positively, the AP team did undertake a cleansing exercise in November 2023, however, this has not been a regular exercise.

The Proactis Report, containing raised queries, is generated by the Finance Team and shared with the relevant services in order to resolve raised questions against the invoices. A review of the Proactis document found that three out of 159 items date back to Jan 2021 (1,119 days in query), Feb 2022 (716 days in query) and to June 2022 (604 days in query). The rest of the queries ranged between 1- 350 days old. The overall total shown on the report is £321,218.56. There are no clear records that actions are being taken to clear the queries.

Biweekly Payment Runs are undertaken. Level 2 and Level 3 Caseworkers are authorised Payment Run creators, with individually secured/password protected PTX Payment log in. We noted that there is no formal document where the Payment Run authorisation/sign off or independent checks are recorded. We were advised that there are plans in place to create a document where the check/sign off is recorded, but this has not yet been implemented.

Our review of the latest Goods Received Notice's over 30 days report, found 102 invoices awaiting payment with a total value of £103,085.99. Several items were with the Business World system admin team to address as there was workflow issues triggered when some staff left.

Accounts Receivable and Debt Management (Limited)

Although an overarching Debt Management Policy is in place it is missing 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 prompting involvement of the Council's procured debt recovery provider (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 is not 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. 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 the system to support these actions, or any indicator for current staff to investigate or pursue their recovery.

There is no documented timescale by which invoices are to be set up once raised (by the wider business areas), therefore we were unable to test the timeliness of the raising of invoices.

Housing Benefit (Limited)

As at end of September 2023 the Civica Housing Benefits Overpayments report shows a balance of £2.87M dating back to 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.

The Revenues & Benefits Specialist commenced an exercise in 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.

It is difficult to reconcile and analyse debt reduction at this stage to assess how much has actually been set up to be recovered and how much has been written off. We were informed that the team is planning to go through the reconciliation between their system and Business World with the Finance Specialist, as the collation debt list from finance has recently been provided.

We acknowledge that the corporate Debt Recovery Policy does not state time limits for debt recovery, however, legally there are some parameters on debt recovery that time bar debts over 6/7 years from being legally pursued. Given the work that has yet to be done in determining the true figure of what needs to be actioned for recovery, consideration has not yet been given to identifying accounts and the total value that are beyond legal recovery.

Process is not currently being followed in terms of referring cases to the DWP, after sending a second reminder, to recover via payment benefits. We were also advised that a new process of seeking information from HMRC is going to be introduced moving forward, and the data about the outstanding cases will be submitted to HMRC, to ensure that further circumstances checks are undertaken.

Supporting Vulnerable People – Homes for Ukraine (Limited)

Although initial inspection checks are being undertaken by the Resettlement Officers 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 the 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.

Further, Sponsor duplicate checks and Guest 6-month verification checks are not always sufficiently documented.

Within the scheme unique reference numbers are used as identifiers for each Sponsor, however, some of these reference numbers aren't consistent across supporting Sponsor documentation such as inspection forms and outcome letters.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is reported to the Corporate Governance and Standards Committee throughout the year through the quarterly internal audit progress reports.

6. Anti-fraud and Anti-corruption

Although the Council remains committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services, there is a clear absence of a corporate anti fraud framework to support this. At present, the Whistleblowing Policy is the only up to date Policy in place.

The absence of a corporate anti-fraud framework has also been referenced in the SOLACE housing review report that was issued in April 2024.

There is currently an ongoing major fraud investigation into spend on housing contracts. Although the Southern Internal Audit Partnership have not been notified of any other reported fraud or irregularities within the Council during the year we have been made aware of senior management concerns regarding the operation of the Council's Housing Stores and activities being undertaken within the vehicle workshop.

7. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

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

In considering all sources of evidence the external assessment team 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.'

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

9. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2023-24 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- A self assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	100%
Positive customer survey response		
● Guildford Borough Council	90%	98%
● SIAP – all Partners	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2024).

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership

July 2024

Annex 1

Summary of Audit Reviews Completed 2023-24

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.

- Information Governance
- Procurement
- Housing Allocations
- Car Parks and Enforcement
- Treasury Management

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.

- Accounts Receivable and Debt Management
- Supporting Vulnerable People – Homes for Ukraine
- Housing Benefits
- Main Accounting – Control Accounts and Reconciliations
- Main Accounting – Budget Monitoring
- Accounts Payable