rCorporate Governance and Standards Committee Report

Report of Managing Director

Author: Joan Poole

Tel: 01483 444854

Email: joan.poole@guildford.gov.uk

Lead Councillor responsible: Nigel Manning

Tel: 01252 665999

Email: nigel.manning@guildford.gov.uk

Date: 26 November 2015

Summary of Internal Audit Reports
April 2015 – September 2015

Recommendation

The Committee is requested to note the contents of this report.

Reason for Recommendation: To ensure an adequate level of audit coverage

---

1. Purpose of Report

1.1.   This report provides a summary of audit work carried out in the period April to September 2015 together with a schedule on progress against the audit plan for the first six months of the financial year.

2. Strategic Priorities

2.1   The audit of the Council's services supports the priority of providing good governance, efficient, cost effective and relevant quality public services that give the community value for money.

3. Background

3.1   We base our audit work on an ongoing plan that we review regularly and which we develop from a risk assessment that is designed to ensure that the majority of the Council is audited at least once every three years. We audit the significant services annually.

3.2   The planning process ensures an adequate level of audit coverage to allow us to give assurance on the overall standard of corporate governance.

3.3   The audit plan includes an allowance for contingency to allow for any special investigations, projects, special requests and ad hoc advice. The level of unplanned

work will vary from year to year but can be significant. There are occasions when this type of work has an impact on the plan and as a result, we may have to simplify some low risk audits, although we will fully implement all the significant audits.

3.4   The plan sets each audit according to their risk score. The risk scores are:

Risk Score	Definition
A	Audited annually – high risk areas or fundamental systems
B	Audited every two years – medium risk areas
C	Audited every three years – low risk areas

Performance against the plan

3.6   The table in Appendix 1 summarises progress against the Audit Plan for the first six months of the year. Although the majority of the audits have either been completed or are in progress there have been a number of changes that have affected the team and which have had a knock on effect on the plan.

3.7   There were resource issues during the period as a senior member of staff reduced their hours and they now work part time. The problems were compounded by a period of long-term sickness for another member of staff who was off for most of August and September. This has affected performance in the first half of the year but we have increased the use of a casual part-time member of staff to cover the shortfall and minimise the impact on the plan.

3.8   The other factor, which has affected the plan, is the decision to carry out an income mapping exercise. This review was requested by the Managing Director following an audit of premises licences. It is a substantial piece of work that will track all income streams (value £33m) over 600 cost centres.

3.9   The first phase, which is now complete concentrates on our fees and charges income and is the first in a series of reports, which will build into an income map of all Council services. This includes:

1. Reviewing whether charges are in accordance with the fees and charges agreed by Council.
2. Reviewing whether we are charging properly for all of our services.
3. Reviewing whether we are charging the right amount.
4. Reviewing how the income is collected.
5. Reviewing how the income is reconciled, monitored and reported.
6. Reviewing how our charges compare to other authorities and private providers.
7. Reviewing the true costs of providing the service.

3.10   This is an on-going and wide-ranging piece of work, which will carry on for the next few months. An overall report will be produced at the completion of the review but we will report any significant issues to Committee in the interim. The scale of this

work will impact on the plan and as a result, some audits will be deferred or postponed but all the high-risk audits will be completed.

4.   Summary of Audit Reports

4.1   The summaries of the audit reports that we have carried out in the period April to September 2015 are set out below. Internal Audit uses a scale to categorise the findings and audit opinion under five classifications. These are:

No Opinion – Results of one-off investigations or consultancy work ranging from investigations into potential fraud or misappropriation or other projects such as value for money reviews on which no audit opinion is given.

No Assurance – Fundamental control weaknesses that need immediate action. The area reviewed has significant control weaknesses and/or significant problems were found in the course of the audit.

Limited Assurance – Some assurance that the controls are suitably designed and effective but inconsistently applied and action needs to be taken to ensure risks are managed. The area reviewed has some control weaknesses and there is a risk of loss or problems were identified in the course of the audit.

Reasonable Assurance - Assurance that the controls are suitably designed consistently applied and effective but we have identified issues that if not addressed, increase the likelihood of risk materialising in this area. This rating reflects audits where the systems are sound and there are only low level risks.

Substantial Assurance – Assurance that the controls are suitably designed consistently applied and effective. The area reviewed is well controlled and no material problems were found.

The classifications are included in the reports to managers and have been included here to provide the Committee with an overall conclusion on the findings of the audits. The reports are ranked in order of audit opinion.

5.   NO OPINION

There have been no investigations within the period.

6.   NO ASSURANCE

There were no reports with a "No Assurance" opinion in this period.

7.   LIMITED ASSURANCE

7.1   Premises Licences
A review of premises licensing was carried out at the request of the service manager. The review found a number of administrative, financial and managerial control problems within the premises licensing system. The audit found that there were instances where:

1. Income could not be reconciled to a licence application because of a lack of information.
2. There was a lack of financial control, monitoring and reconciliation of income.
3. There was no mechanism in place to recover unpaid fees.
4. There was no management control over the process to ensure that licence fees had been paid.
5. There is no assurance that all premises have paid their annual fees
6. There is a risk that we are not revoking or suspending licences due to non-payment.

Audit Opinion – Limited Assurance

Management Response – The process was changed as soon as the audit identified the cause of the problem and all annual licence fees are now processed through the Sundry Debtors system. This quickly resolved many of the issues. We also worked with the audit team to implement performance monitoring and effective management controls. This will be the subject of a follow-up audit in 2015-16.   We have reviewed a large number of payments that were not attributed to a specific licence with a view to identifying any further charges that could be recovered. This exercise has now been completed.

Audit Note - Following this review Internal audit started an income mapping exercise to identify and track all income streams across the Council to ensure that all income due is collected and proper reconciliation and monitoring controls are in place.

7.2   Gas Servicing

7.3   The Council is legally bound to ensure that all of its residential properties have a current CP12 gas safety certificate and are serviced annually by qualified gas service engineers. A gas safety certificate (CP12) is issued following successful completion of an annual gas service. Failure to comply with this legal obligation could result in a fine of £20,000 per occurrence or in some cases imprisonment and an unlimited fine.

7.4   Notwithstanding our legal obligation, we are committed to safeguarding the safety of all our residents. Failure to comply with this legal obligation could result in serious legal sanctions.

7.5   Historically, we have achieved extremely high compliance levels. In the vast majority of cases, the reason that a valid certificate is not in force is that we have been unable to obtain access to carry out the service. We then have to rely on legal action to gain access including the use of warrants of entry issued by a local magistrate.

7.6   Until November 2014, annual gas servicing and CP12 certificate issues were carried out by two contractors on an area basis. In November 2014, the East area contract expired and following a tendering exercise, the contractor for the West area won the contract and took over responsibility for gas servicing and safety certification work for all our properties.

7.7   In January 2015, the Director of Housing raised concerns over the performance of the gas servicing contract. It became apparent that the annual gas services due on a number of our properties had not been undertaken and, as a result, the gas safety certificates on those properties had expired. Initial indications were that there were approximately 160 properties with expired CP12s. However this figure was revised down to 52 properties after a review by Neighbourhood & Housing Officers found that in many cases, completed service dates had not been recorded on the contractor's database and properties were shown as being 'non-compliant' by default, when in fact they were fully compliant.

7.8   Of the remaining 52, the majority (44) had expired within the last 3 months, whereas the remaining 8 had been expired for up to and over a year, suggesting that this was an issue when the contractor was responsible for gas servicing and the issue was not being picked up by Neighbourhood and Housing Management Services (NHMS) monitoring. The fact that there are any properties where the gas safety CP12 certificate had been allowed to expire is however of concern.

7.9   The properties outstanding were immediately addressed and all now have valid CP12 certificates but in parallel Internal Audit were invited to review the gas servicing administration and CP12 safety certificate issues.

7.10   The review found that the vast majority of the 4206 gas supplied residential council properties are serviced annually within the due timescales and have a current CP12 gas safety certificate at all times. It was also noted that improved administration and management procedures have now been introduced which should ensure that all gas supplied council properties receive an annual service at the appropriate time and maintain a current gas safety certificate. The team also take a very strict line with the small number of tenants who do not provide access, not hesitating to resort to the use of warrants to gain access.

7.11   The following recommendations were made and agreed;

1. Improve liaison and coordination between the teams involved in running the contract as this has not been as effective as it should have been, (procedural changes have been introduced and communication improved (e.g. weekly meetings involving the 3 teams). – **Action Completed**
2. The Council's Orchard system should 'drive' the gas servicing contract, not the contractor's database. **– New software implemented**
3. The Orchard database and the contractor's database should be subject to regular (if not continued automated) reconciliation to ensure both sets of records reflect the other and that records are correct. **– In place and on-going**
4. All officers involved in the gas servicing contract process (i.e. Business Support, Electrical & Mechanical and Housing Estates) should receive appropriate training on the new Orchard package and how it should be used in their respective roles within the gas servicing/gas safety contract**.- Action Completed**
5. Guidance & Procedure notes need to be updated – There are relevant guidance notes setting out the various roles/responsibilities, together with

operating, administrative and management control procedures for undertaking gas servicing/safety certificate issue. They are currently in a revised/draft state, but due to be finalised by the end of July 2015. **– Action Completed**

6. NHMS management should ensure the revised guidance/procedure notes are issued to all officers involved in gas safety. All officers should also formally record that they have read the document and understand their role and responsibilities, and that records should be held centrally within NHMS. - **Action Completed**

7. The responsibility for gas servicing and gas safety certificates will from time to time transfer from one contractor to another as contracts are retendered. It is important that in addition to the procedures in place, safeguards are included within administrative and management procedures to ensure no data is lost or compromised when details are passed onto a new contractor – Adequate reconciliation of 'source to destination' and exception reporting is a must. **- Agreed**

7.12   The gas servicing and safety certificate expiry issues in respect of the 52 identified as being non-compliant have now been addressed, and the administration and management procedures have been changed to prevent a repeat occurrence.

7.13   The review identified a number of probable causes as well as the measures undertaken or being undertaken to redress the issues. The failure to carry out annual gas services by due dates and allowing gas safety certificates to expire has arisen through a combination of factors. The table below sets out the problems and the actions taken to rectify them:

Problems Identified	Action Taken
1)The tender documentation issued by GBC for the Guildford East contract in November 2014 contained an incomplete property list. The new contractor's property record would have therefore been similarly incomplete.	The team quickly carried out an exercise to correct the contractor's records and to ensure their records were complete and accurate
The new contractor had software problems and did not pick up the transfer of outstanding service orders from the previous contractor when the contracts were amalgamated therefore they were unaware that a service was due. However, the subsequent failure by both GBC and the contractor to notice the missed records also highlighted a lack of effective check to ensure that any record transference is correct and complete.	An exercise has been carried out to correct records and to ensure the contractor's records are complete and correct. The contractor rectified the software issues to ensure all service updates or heating upgrade notifications are complete. Monitoring procedures are in place including weekly reports to ensure that any transfer of property/order records are as notified
2) The contractor's referral notifications to GBC of properties where they had access problems did not contain all due referrals. The contractor's software issues either meant the database did not pick up and	The exercise already mentioned has addressed this issue. The contractor has now rectified the software issues to ensure all service updates or heating upgrade notifications are

Problems Identified	Action Taken
report on all scheduled service dates or because they did not have all property records. A manual input process adopted by the contractor while the software issues were being addressed may have also compounded the failure to report all due referrals.	complete and ensuring that all referrals are made at the right time. The team monitor the status of all orders nearing their latest completion date to ensure we have received the referrals. This enables us to start enforcement action to secure access to the property to carry out the safety checks
3) There was insufficient administration resource employed by the contractor. While the contractor's software issues have undoubtedly affected the smooth running of the contract, there was also a question mark over the resource employed to rectify. Discussions with GBC officers and email correspondence between Housing Estates and the contractor suggests a lack of resource to address issues quickly.	The contractor rectified all software reporting issues and engaged 2 additional staff on contract administration
4) GBC did not update the contractor or update promptly the heating upgrades undertaken by CHS – The late issue of updates via issued contract variation orders meant that the contractor could not schedule in services in time.	Upgrade variations are now issued promptly upon work completion. Progress on the upgrade works programme is covered in the weekly meetings between Electrical & Mechanical, Housing Estates and Business Support to ensure no updates are missed or delayed. The maintenance contractor now carries out all the heating upgrade work across the Borough. They are therefore aware of any changes to a property's status. However we will still issue upgrade variations to formally record changes to the property and service records
5) The reliance placed on the contractor's database exposed us to risk. Whilst this is a common approach in the housing sector, by using the Council's Orchard system to drive the contract we will reduce risk. The contractor controlled the service contract and operation. Their database contains information supplied by GBC (e.g. basic property data, previous service dates, changes through upgrades/new installations or property changes through Right to Buy, new build and demolitions) and the contractor used that to schedule gas services, apply to GBC and receive appropriate works orders from Orchard for those services.	The Business Support team in NHMS has implemented a new bespoke software package for Orchard which now controls the gas servicing contract

Problems Identified	Action Taken
Given that the source information is contained on the Orchard system and, as this review has shown, not all information provided to the contractor has been recorded on their database, the gas servicing would be better driven by GBC (i.e. from Orchard). It would eliminate the risk of information being lost or wrongly recorded in transfer and allow GBC to manage the contract more effectively and issue orders at the required time so that the contractor can schedule in the works.	
6) There has been no routine reconciliation of the contractor's database and GBC Orchard system. Properties have been missed and services not undertaken within due dates as a result If the existing arrangement is to remain with the contractor's database driving the contract, there will need to be a regular (if not a continuous automated) reconciliation of the property and service dates held to ensure both sets of records reflect the other. With the new Orchard software in place, GBC will be able to drive the contract, and then from GBC's perspective, reconciliation will be of less significance since Orchard will determine when services are required, issue the orders accordingly and monitor the progress. The contractor's database will then essentially revert to being their own administrative tool to record orders, coordinate the gas service jobs and invoice for work done. However, continued reconciliation of the contractor's database and Orchard systems will provide better assurance if both sets of records are known to reflect the other. Whichever is adopted, GBC needs to be confident that all information held is correct and that gas servicing is undertaken within due servicing periods.	The two systems have been reconciled and the new software will make this process very straightforward.

7.14   Data Quality Management

7.15   The governance on data quality management within the Council was included in the audit plan for 2015-16. It was scheduled for the second half of the year but a

number of issues arising from other audit reviews including gas servicing and premises licensing raised concerns and it was brought forward.

7.16   High quality data is essential for better customer service and driving improvement.

1.   It increases customer satisfaction and demand by ensuring that we are providing services that they need and want
2.   Increases customer trust and confidence in our ability to deliver high quality services
3.   Increases service efficiency and cuts costs by reducing errors
4.   Ensures better compliance with our legal obligations and regulations
5.   The data is right first time and we do not need to uses resources on data cleansing and manipulation
6.   Reduces resource implications on rectifying mistakes

7.17   The lack of governance relating to data quality management is a cause for concern and a risk to the Council. There have been several instances where poor data quality and management has caused problems over the last year and there is no assurance that these are the only instances. There is evidence that poor data quality has caused the Council:

- Reputational damage
- Resource implications
- Increased the risk of financial loss
- Increased the risk of acting illegally
- Increased the risk of data protection breaches
- Increased the risk of decisions being made on incorrect data
- Increased the risk of unauthorised and uncontrolled access to data

7.18   The Managing Director has overall strategic responsibility for data quality, and is supported in this role by the Corporate Management Team but service managers have operational responsibility for the quality of data provided by their services.

7.19   We need to address this issue from different ends of the management spectrum. CMT needs to agree a data quality strategy but service managers and staff need to understand the importance of proper data management and how it could impact on them individually or the Council as a whole. There is new legislation from the European Union and the European Parliament is proposing fines of 100miliion euros or five per cent of turnover for security breaches. This is obviously for serious cases but we need to be aware of the risks.

7.20   We also need to understand the importance of meaningful performance indicators if we are serious about trading services. In the past, we have been reluctant to have indicators that relate to staff performance but this has to be included and all services should have a commercial mix of quantitive and qualitative indicators which are reported to CMT.

7.21   It was recommended that:

- We have a Data Quality Management Strategy
- We carry out a data mapping review including access rights
- We carry out an information governance review to analyse which data is no longer needed
- We introduce corporate training on data security
- We introduce qualitative and quantitive PIs across all services

<u>Audit Opinion – Limited Assurance</u> – **Management Response – Action Taken**
The recommendations from this report have been agreed and an action plan has been drawn up. Progress will be monitored and reported to Committee.

8.   REASONABLE ASSURANCE

8.1   Procurement Cards
The Council has been using procurement cards for over a decade. They provide a flexible and effective purchasing option. NatWest Bank provides the procurement cards along with the online card transaction system called 'Decal'.   The Decal system allows the cardholder and the e-Payments team to view all transactions made.   There are 27 cardholders across the Council. Each cardholder has a prescribed total limit and single transaction limit, which they cannot exceed. All expenditure is authorised by a designated manager. At the end of the month, cardholders are required to ensure that VAT has been identified and allocated appropriately, enter the cost centre code for the purchases and the nominated authorising officer has to sign off all transactions, prior to the payments deadline.

8.2   The e-Payment's team purchases goods at the request of the departments within the Council. In addition to this, the Council has two 'lodged' cards – one for stationery and one for janitorial which are held by the e-Payments team.

8.3   The overall objective of the audit was to ensure that there are sound and robust arrangements in place controlling the use of corporate procurement cards and that:

1. Policies and procedures on the use of purchasing cards and their administration have been documented, are subject to periodic review and are accessible for relevant staff;
2. Procurement card transactions are entered onto the system in a timely manner, are appropriate purchases, are adequately authorised and are supported by receipts;
3. VAT receipts are obtained where applicable, and retained in line with retention policies;
4. Transactions are allocated to appropriate cost codes;
5. Transactions are independently reviewed and reconciled to the bank statement;
6. Procurement cards are appropriately stored by the cardholder and access to the card and PIN is controlled;
7. Procurement cards are held only by officers with a genuine need for them and the issuing of new cards is appropriately authorised. Card limits are appropriate for the cardholders' roles; and
8. Procurement cards are retrieved from cardholders in the event that their employment with the Council ends.

8.4 The review found several areas of good practice:
1. The e-Payments team retain signed procurement card agreements for all cardholders, which are filed in a lever arch file and stored in a locked cupboard;
2. A list of cardholders is retained by the e-Payments team which details the individual's card limit; the transaction limit and; the name of the authorising officer;
3. Service areas (where there are no cardholders) contact the e-Payments team to place orders for goods/ services. A file is maintained which contains the authorised Purchase Order and the invoice/ receipt for all such purchases;
4. Automated month end emails are sent to all cardholders reminding them to ensure all transactions are authorised and coded on Decal;
5. The finance system uploads all transactions via a journal to the General Ledger system on a monthly basis;
6. Nominated staff across the Council place orders for stationery and janitorial goods via online accounts for Office Depot and Wightman & Parrish. The Purchasing and Payment officer is the assigned authoriser for all such purchases. He reviews all orders for appropriateness prior to authorisation.
7. All new procurement cardholders are given verbal instructions by the e-Payments team on the use of the card; month end process; and the retention of receipts.

8.5 However, the review found that:

1. We do not retain approval evidence for new cardholders on file.
2. There is no formal process to inform the e-Payments section of a cardholder leaving the Council.
3. There were inconsistencies in the maintenance of receipts by cardholders.
4. Cardholders are not provided with any written guidance.

Audit Opinion- Reasonable Assurance - Action taken – Recommendations were made to address these issues and have been agreed including spot checks by Internal Audit.

8.6 GLive

8.7 The Council entered into a contract with HQ Theatres Guildford Limited in August 2011 to manage and run the newly established GLive venue, which replaced the Guildford Civic. The contract is for ten years and includes the building lease for the same period.

8.8 The Council pays the contractor an annual fixed subsidy of £328,595, paid in monthly arrears. All income, up to an agreed annual level generated from the venue belongs to the contractor. Should the agreed income level in any given year be exceeded, the Council is paid 20% of the surplus. The Leisure Services Manager acts as the 'Authorised Officer' for the contract. The specific objectives of the review were to ensure that appropriate controls are in place in the following areas:

1. Contract monitoring arrangements;
2. Procedures to deal with non-compliance with the Contract;
3. Contract amendments; and

4. Contractor Payments.

8.9 The review identified the following areas of good practice
1. Monthly and quarterly Service Review meetings are held. The quarterly Service Review meetings are attended by the Lead Councillor, the Director of Environment and two representatives from HQ.   Therefore, both the monthly and quarterly meetings are minuted.
2. An annual performance report is produced by the contractor within the prescribed timescales stated in the contract, i.e. one month after the year end. This report is reviewed by the Corporate Management Team and Scrutiny Committee.

8.10 However the review identified the following issues:

Problem	Action Taken
We need a more structured risk based monitoring plan.	Some monitoring on Health and Safety has taken place but other areas such as customer data processes are being considered for review
The contractor does not undertake regular internal audit reviews as required under Section 28 of the contract	We have asked the contractor to table internal audit reviews at the monthly meetings
The contractor has not provided the Council with a detailed breakdown of costs as prescribed in Section 29 'Open Book Accounting' section of the contract	Internal audit have been asked to include this in the Council's audit plan
Key performance indicator targets require amending to reflect more realistic targets and this will need to be captured as an addendum to the contract	Work on revised targets is underway and will be reported in the annual report to Scrutiny in December
The subsidy invoicing and payment is not in line with contractual requirements	This was an administrative issue and has now been corrected. The invoices are now sent to the relevant officer.

Audit Opinion – Reasonable Assurance

8.11 Homelessness
The Council's Homelessness section sits within Housing Advice Services. The service budget for 2014/15 was £815,130, of which 40% relates to administration, mainly payroll costs, and the remaining 60% towards the provision of homelessness services to the public. The section comprises of the Head of Housing Advice Services; the Housing Advice Manager, a Homelessness Strategy and Support Officer (part time), and seven Homelessness Prevention and Housing Options staff. The review found many areas of good practice:

1. The 2013 to 2018 Homelessness strategy (the 'Strategy') was approved by the Council's Executive on 18 July 2013.
2. The annual review of the Strategy was presented to the Customer and Community Scrutiny Committee on 21 October 2014.
3. The Strategy was open to consultation which consisted of service users and the customers. The feedback received was used to inform the Strategy.
4. The Council's Homelessness section is currently undergoing a peer review which is being conducted in partnership with Waverley and Woking Council. The peer review will enable the service area to put in place an action plan to address areas that require improvement.

However the audit identified issues with:

1. The service area's business plan that includes the risk register was not fully completed;

Audit Opinion – Reasonable Assurance

8.12 Community Meals

8.13 The Community Meals service is based at the Park Barn Centre. It provides door-to-door hot meals to elderly or disabled residents across the Borough. The aim of the service is to encourage people to be independent and enable them to remain in their own home. After an application is received a member of the team makes a home visit to assess the applicant's eligibility and needs. This provides a more personal service to our elderly and vulnerable residents.

8.14 The meals are delivered between 11.30a.m. and 2.00p.m. and are available seven days a week. Meals cannot be left but if there is no answer at a property there are procedures in place for staff who are unable to make contact with the client. At the end of March 2015 the service had 136 clients, delivered 39,643 meals at a cost of £4.10 per meal. The net cost of the service in 2014-15 was £87,712.

8.15 The analysis carried out during the audit showed that there has been an increase in the number of meals delivered over the last three years, but found that there is 33% spare capacity. The Office for National Statistics has reported that over the last 30 years the proportion of the population aged 65 and over increased from 15% in 1984 to 18% in 2014, an increase of over 3 million people in this age group. This trend will continue and alter the demographics of the residents in the borough. This produces both challenges and opportunities for the Council.

8.16 The main recommendation from the audit was that as we have spare capacity we need to actively promote the service or look for other opportunities through an expansion of the service within the wider area. This would have benefits for the elderly and vulnerable within the community who we have not yet reached, increase income and therefore reduce costs.
Audit Opinion – Reasonable Assurance

8.17 Museum
Founded in 1898 the Museum is located in a 17th century building, and houses the largest collection of archaeology, local history and needlework in Surrey. There is a well-stocked shop selling a range of local history books, gifts and souvenirs. The number of visitors between 1 April 2014 and 18 January 2015 was 8,853. The audit assessed the progress on recommendations since the last review and the effectiveness of the system controls. The objectives of the audit were:

- To review the income systems.
- To review the procedures in place for the collection and banking of income.
- To review the procedures in place for the purchase and control of shop stock.
- To make recommendations for improvements as appropriate.

8.18   The financial controls were sound with procedures in place for the collection and banking of income. The main findings of the audit related to stock control and the problems that they have with the till especially the difficulty of producing stock reports. The value of stock held is not significant so the risk is low and for this reason and the recommendations have been held pending the result of the on-going review.
Audit Opinion – Reasonable Assurance

8.19   Guildford House

8.20   Guildford House is a 17th century town house and Grade 1 listed building located at the top of the High Street. The main building houses the Tourist Information Centre (TIC), the Art Gallery and a Café. The Brew House also forms part of this site and is accessed from the rear of Guildford House. The Café is operated by a private contractor.

8.21   The Craft Shop used to be situated at the front of the building until the TIC was re-located to Guildford House in 2011. The Craft Shop business now operates from the ground floor of the Brew House, which is accessed across the rear courtyard. The top floor of Guildford House is available for hire for exhibition space and meetings.

8.22   The building is open between 10.00am – 4.45pm Monday to Saturday and 11.00am – 4.00pm Sundays (May to September). The Craft Shop is open Tuesday to Saturday 10.00am – 4.45pm.

8.23   The number of visitors to the Craft Shop between 1 April 2014 and 28 February 2015 was 11,054 and the corresponding number for the same period for the previous year was 11,539.

8.24   The review found that there were good financial and stock controls in place but the shared accommodation with the TIC has caused accommodation problems for both services. There were a number of issues which became apparent during the course of this and previous audits which still need to be resolved. These are:

   1. We need to address the accommodation issues within the building. We have a duty of care to ensure our staff have a safe work environment and

provide areas for rest and relaxation and somewhere to keep their personal belongings.

2. We need to address the disabled access issues. The disabled toilet facility is down a flight of stairs and there is no lift.
3. There is no permanent disability access at the front of the building. A ramp is available but this provides a steep incline through two narrow doors. We need to look at alternative access at the rear of the building.
4. Most suppliers require their orders to be produced in a certain format and a lack of a scanner has meant the Retail and Customer Service Officer taking the document home to scan which is not acceptable. We need to look at what ICT equipment is needed for both the TIC and the Craft Shop
5. There is no dedicated office to carry out normal working tasks as this is done in an extremely confined public area.

Audit Opinion – Reasonable Assurance – Audit Note - This review has been given a reasonable assurance opinion because the controls for income and stock control are good. The staff are passionate about their jobs and have good relationships with the public and suppliers but there are still problems with staff accommodation, amenities and appropriate equipment that need to be resolved. These have been highlighted in previous audit reports of the TIC (who share the site). There now seems to be some progress but there are still outstanding issues that need to be addressed. We also need to review the disabled access and whether we can get access from the rear of the building which would allow customers with disabilities access to the Café and Craft shop.

9. **ONGOING WORK**

	Status
Grants	Evidence gathering
Agency Staff	Testing complete report being prepared
Income mapping	Evidence gathering
S151 audits	In progress
Industrial Estates	In progress
Asset Management	In progress
Legionella	In progress
Asbestos	In progress

10. **CORPORATE PROJECTS**

10.1 **Ombudsman**
There have been five Local Government Ombudsman (LGO) complaints in the first half of the financial year. This is slightly higher than the same period last year. There were no decisions against us.

In the same period, we received four complaints from the newly established Housing Ombudsman. We have received decision notices in all four cases and the Council has not been found at fault in three. The fourth complaint had already been through our complaints system and we had offered compensation of £250 as we felt we could have dealt with the matter in a better way. The Ombudsman agreed that we had acted properly and tried to resolve the issues but felt that there was some delay and this caused the complainant distress and confusion. They agreed that the level of compensation was fair.

We have spent 12 days out of a budget of an annual budget of 15 days in the first half of the year.

10.2   Freedom of Information and Data Subject Access Requests
We have spent seven days dealing with Freedom of Information and Subject Access Requests against a budget of 15 days. In the main this was providing information for other services.

11   GOVERNANCE PROJECTS

11.1   Challenge to Taxi Licensing inspection fees
We received a challenge to our taxi licensing inspection fees, Internal Audit was asked to review the basis of our charges in particular the calculation of the inspection fee.

11.2   Project Management
Although the Council follows PRINCE 2 principles for project management, we did not have a corporate project management system. We introduced a programme management system, which would provide a transparent mechanism to monitor and report on the multiple projects across all services. The first phase of the system went live in February 2015. This is an on-going project and the capability and flexibility of the software will allow us to use it for other areas. The service planning process is now on the system and the next phases will include risk and performance management.

12.   SERVICE REVIEWS

12.1   Over the last year, Internal Audit has worked with managers on lean reviews, some as stand-alone projects and some as part of their fundamental reviews. Although this is not traditional audit work, many of the business process re-engineering disciplines involved are closely related to audit systems analysis. This has the benefit of helping managers make efficiency savings but it also increases our understanding of the services and the business risks.

12.2   **Parking**
We carried out a comprehensive review of the back office systems in the Parking Office as part of their fundamental service review and identified a number of possible efficiencies and savings. Work is now underway on tendering for the new system, which will deliver many of the efficiencies identified in the lean review.

13   Financial Implications
There are no specific financial implications as a result of this report.

14   Legal Implications
No legal implications apply.

15   Human Resources
No HR implications apply

16.   CONCLUSION

There has been a marked increase in the pace of change at the Council. Services and structures are evolving and the pressure and uncertainty that change brings increases the risk of the degradation or breakdown of the control environment. We have continued to work with management to identify and examine these areas of potential risk. We are working with managers and services through both the traditional audit route but also through lean reviews and business process re-engineering. This means that we can ensure that any new system includes the necessary controls and governance.

Audit Plan Progress April to September 2015-16

Service Unit	Risk Score	Audit Days	Audit Type	April-Sept	Oct - March	Progress
Economic Development						
Electric Theatre	B	2	Follow-Up		2	**Testing started**
Guildford House	B	2	Follow-Up		2	**Follow - up Complete**
Museum	B	2	Follow-Up		2	**Follow - up Complete**
Guildhall	B	2	Follow-Up		2	
TIC	B	2	Follow-Up		2	**Follow - up Complete**
Planning						
Dev Control	A	10	Compliance		10	
Building Control	A	10	Compliance		10	
Land Charges	B	10	Systems Audit		10	
Environment						
Operational Services						
Abandoned Vehicles	C	5	Compliance Audit	5		**Complete - Lean review complete efficiency savings identified**
CCTV	B	5	Follow-Up		5	
Dog Control	C		Systems Audit	5		**Testing complete -Report in draft stage**
Fleet management	B	25	Systems Audit	10	15	**MOT - work on proposed new bay and challenge over inspection fees**
Parking	A	15	New System Implementation	15		**Ongoing - Invitations to tender now issued**
Park&Ride	C	5	Performance review	5		
Refuse And Recycling	B	10	VFM Audit		10	**Reviewing problems with data quality garden waste and recycling**
Street Cleansing	B	10	VFM Audit	10		**Deferred to second half of the year**
Vehicle Maintenance	B	10	Systems Audit		10	

Audit Plan Progress April to September 2015-16						
Service Unit	Risk Score	Audit Days	Audit Type	April-Sept	Oct - March	Progress
Parks and Leisure						
Crematorium	B	8	Systems Audit	8		**Deferred to second half of the year**
Glive	B	8	Follow-Up		8	**Complete**
Countryside Management	B	20	Review prior to FSR	5	15	**In planning stage**
Leisure Management Contract	B	10	Follow-Up	5	5	**Follow up recommendations and review in second half of the year**
Financial Services						
Financial Services						
Main Accounting	A	10	S151 Audit		10	
Treasury Management	A	10	S151 Audit		10	
Debtors	A	10	S151 Audit		10	
Revenues and Payments						
Council Tax	A	10	S151 Audit		10	
Housing Benefit	A	10	S151 Audit		10	
NNDR	A	10	S151 Audit		10	
Payroll	A	10	S151 Audit		10	
Insurance	B	10	Compliance Audit		10	
Creditors	A	10	S151 Audit		10	
Cash and Bank (Adelante)	A	5	Follow-Up	5		**Looking at progress against issues raised with new system**
Creditors FSR	A	15	Lean Review	15		**Deferred pending decision on new FSR programme**
Purchase to Pay System (Procurement Cards)	B	8	Follow-Up	8		**Complete**
Self-Employed	B	10	Follow-Up		10	
Taxable Benefits	B	10	Follow-Up		10	
Authorised Signatories	A	3	Compliance Audit	1.5	1.5	**On-Going Testing**

Audit Plan Progress April to September 2015-16

Service Unit	Risk Score	Audit Days	Audit Type	April-Sept	Oct - March	Progress
Legal Governance						
Legal and Democratic Services						
Elections	B	10	Compliance		10	
Electoral Registration	B	10	Compliance		10	
Housing and Health						
Health and Community Care						
Civil Emergencies	A	10	Systems Audit	10		**This will be carried out by external review body**
Community Meals	B	10	Systems Audit	5	5	**Complete**
Community Transport	B	10	Systems Audit	5	5	
Day Centres	B	10	Systems Audit	5	5	**Review of income procedures in progress**
Emergency Communications	B	5	Systems Audit	5		
Premises Licenses	A	10	Systems Audit	5	5	**Monitoring progress against action plan and recommendations**
Food and Safety	A	10	Compliance	10		**In Draft**
Grants to Voluntary Organisations	B	5	Compliance	5		**Audit commenced**
Health and Safety	B	10	Compliance		10	
Licensing System	A	10	Compliance	5	5	
Pest Control	B	5	Compliance	5		**Complete - Lean review complete efficiency savings identified**
Taxi Licensing	A	10	Compliance	5	5	**Review of charges in the MOT bay due to challenge on fees**
Housing Advice						
Affordable Housing	B	5	Systems Audit	5		
Homelessness and Emergency Accommodation	B	10	Systems Audit	10		**Complete**
Tenancies	B	10	Systems Audit	10		

Audit Plan Progress April to September 2015-16						
Service Unit	**Risk Score**	**Audit Days**	**Audit Type**	**April-Sept**	**Oct - March**	**Progress**
NHMS						
Building Maintenance	B	10	Systems Audit		10	
Traveller Caravan Sites	B	5	Follow-Up	5		
Stores	A	10	Follow-Up	5	5	**Complete year end stock check and reconciliation**
Gas Servicing	A	10	Follow-up	10		**Complete**
Organisational Development						
Business Systems						
Network Security	A	10	Systems Audit		10	
Access Controls	A	10	Follow-up		10	
Telecoms	B	10	Systems Audit	10		**Deferred due to pressure of other work**
Information Security	A	10	Systems Audit		10	
IT Renewals	B	5	Systems Audit		5	
Asset Management	B	5	Follow-up	5		**Deferred pending introduction of a new system**
Economic Development						
Industrial Estates	B	10	Systems Audit		10	**Audit brought forward now in testing phase**
Asset Management	B	10	Systems Audit		10	**Audit brought forward now in testing phase**
Energy Management	B	10	Systems Audit		10	
Human Resources						
Selima	A	5	Systems Audit	5		**New system upgrade**
HR Policies	A	5	Systems Audit	5		
Pay and Grading (Post je)	A	10	Systems Audit		10	
Agency staff	B	10	Systems Audit	10		**Draft report being prepared**
Home Working/Remote Access	B	10	Systems Audit	10		**Testing started**
Staff Benefits	B	5	Systems Audit		5	

Audit Plan Progress April to September 2015-16						
Service Unit	**Risk Score**	**Audit Days**	**Audit Type**	**April-Sept**	**Oct - March**	**Progress**
Governance						
Risk Management	A	10	Performance Review	5	5	**Review of the corporate and service risk registers**
Performance Management	A	10	Performance Review	5	5	**Review of current service Pis**
s106 Agreements	B	10	Systems		10	**Audit brought forward now in testing phase**
Procurement	A	10	Performance Review	5	5	**Delayed to second half of the year due to new policy implementation**
Asbestos	A	15	Follow-Up	10		**Testing in progress**
Legionella	A	15	Follow-Up		10	**Testing in progress**
Fire Risk	A	10	Performance Review	10		**Audit due to start at end of October**
Complaints	A	5	Performance Review	2.5	2.5	**Review of performance across each quarter**
Project Management	A	5	Performance Review	2.5	2.5	**Ongoing implementation**
Data Quality Assurance	A	10	Systems Review	5	5	**Complete**
Public Health and Wellbeing Agenda	A	5	Performance Review		5	
Trading Services	A	5	Performance Review		5	
Contracts						
Service Contracts	A	20	Systems Audit	10	10	**On going**
Term Contracts	A	20	Systems Audit	10	10	**On going**
Capital Projects	A	20	Systems Audit	10	10	**On going**