

## Corporate Governance and Standards Committee Report

### Report of Chief Internal Auditor

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## Internal audit plan 2016-17

### **Recommendations**

The Committee is recommended to approve the audit plan for 2016-17 set out in Appendix 1. The Committee is also recommended to note the summary of audit reports for the period October 2015 to March 2016.

#### Reason(s) for Recommendation:

To ensure an adequate level of audit coverage.

### **1. Purpose of Report**

- 1.1 To present the draft audit plan for 2016-17 and the work programme for the first half of the year, which is extracted from the audit plan. This report also presents a calculation of the resources required for the proper audit of Council services.

### **2. Strategic Priorities**

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

### **3. Background**

- 3.1 We have based the plan on a risk assessment in line with best practice. We aim to audit the majority of services at least once every three years although we review the major systems annually. We update the risk assessment after each audit.
- 3.2 The planning process is an assessment of the areas of risk and the resources available. The audit plan is a balance between supply and demand and is affected by unplanned events even though there is a contingency budget. The current audit resources are:

In-house resources	2.67 FTE
Senior Auditor (Temp) and Contractor	0.75 FTE
Total resources	3.42 FTE

- 3.3 We have to ensure that the level of audit coverage is sufficient to provide assurance on the overall standard of corporate governance. The planning process includes.
1. identifying the audit universe (all of the areas that require audit attention)
  2. carrying out a risk assessment to identify the level of risk and the appropriate frequency of audit
  3. an estimate of the resources required to carry out the audits
  4. reviewing how we resource the plan
  5. producing the audit plan based on the available resources
- 3.4 The audit plan includes a certain amount of contingency to allow for unplanned work because the actual requirements will vary from year to year. We base the planned figure on records from previous years but it can only ever be an estimate.
- 3.5 Over the last few years, we have augmented in house audit resources by employing a contractor. In 2014-15, we appointed Haines Watts on a two year contract to carry out the fundamental systems work and technical ICT audits. This contract is ending and we are now considering options for the future.
- 3.6 During 2015-16, there were internal resource problems with the long-term sickness absence of a senior member of staff. This was compounded by a period of sickness for another member of staff who was off for most of August and September. This has affected the timing and delivery of some audits and we have used the contractors to cover part of the shortfall and employed an experienced auditor on a temporary, part-time basis to ensure that high risk areas are covered.
- 3.7 As part of the Council's on-going change programme we carried out a fundamental review of the service during 2015-16 to assess whether the current model is the best fit for the Council now and in the future. The review looked at:
- 1) Outsourcing the service to an external provider
  - 2) A shared audit service with one or more authorities
  - 3) Bringing the service in-house
  - 4) Keeping the status quo

- 3.8 We considered and costed all of the options and while there was some interest in a shared service with neighbouring authorities the timing was not right to go into a joint contract. This is still an option for the future. The review found that the current co-sourcing model provided the most effective and economic solution. It provides in-house experienced staff together with the flexibility of using a contractor. However, we will continue to assess the best service model to meet the future requirements of the Council.
- 3.9 We have also reviewed the structure against the future needs of the Council to ensure that we have the right mix of resources to deliver the Council's change agenda. We are currently consulting on the creation of a new Audit and Business Improvement Team, which will bring the two disciplines together within the same service unit. This will provide greater flexibility and make best use of experienced professional resources.
- 3.10 The audit plan aims to cover areas that support the Council's strategic priorities, governance issues and financial probity. In addition, we have to reflect the recent changes within the Council. These changes bring both opportunities and challenges for us. Audit skills are relevant to many of the new initiatives across the Council and we have become involved in both lean and fundamental service reviews, which are part of the overall business improvement programme. While this is not traditional audit work it affords an in-depth knowledge of the services that a purely systems audit would not always provide and is therefore an important source of information about the Council. This information feeds into the risk assessments.
- 3.11 There are always increased risks in times of change. Over the last year, there have been significant changes both within the senior management team and service structures. There are also continuing financial pressures on the Council to provide value for money. This means being more efficient and effective and looking for innovative ways of working. The challenge for audit is to help services become leaner and more effective within a controlled environment.
- 3.12 Change and uncertainty does affect staff and increases the risk of system failure, the relaxation or circumvention of the expected controls and fraudulent activity. We need to ensure that the appropriate control measures are in place and applied consistently across all services. We also need to be sure that we have good governance arrangements to ensure that we are operating within both the legal framework and our own protocols and standards.
- 3.13 In general, the overall control framework within the Council is sound with sufficient controls in place to prevent significant loss but it would be wrong to ignore the changes that are taking place and how this affects people and systems. There is no evidence to suggest that there is a systemic problem but it would be wrong not to factor these into the risk assessments.
- 3.14 This is a challenging time for audit. We need to be proactive in helping services move forward, improve and achieve the desired outcomes of the Corporate Plan but we also need to ensure that effective systems of governance and control are in place.

#### **4. Audit Plan 2016-2017**

- 4.1 The plan is extracted from the audit planning system 2016-17 and shows a resource requirement for 770 days.
- 4.2 The resource calculation takes into account the total available time less time for annual leave, bank holidays, sick leave, training, appraisals and other non-rechargeable work. The figure for non-rechargeable works is based on previous experience (all members of internal audit complete timesheets therefore the estimates are reasonably accurate). We try to keep non-productive time to a minimum and there is a monthly target of 90 per cent productive time for all audit staff.
- 4.3 The full year's plan is set out in Appendix 1. The plan shows the latest risk assessment based on the updated risk assessment. The risk ratings and frequency of audits are shown in the table below:

<b>Risk score</b>	<b>Audit frequency</b>
A	Annual audit
B	Audit every two years
C	Audit every three years
D	Audit every five years

- 4.4 The plan is ambitious and wide ranging. There are many challenges ahead for the Council. We have tried to strike a balance between reviewing the basic financial and management controls, the major governance areas that we must get right, the smaller services and the fundamental systems on which the external auditor bases his opinion.
- 4.5 In addition, the plan includes value for money audits and specific areas where there is an increasing risk of fraud. As part of our remit to identify efficiency, effectiveness and economy, we will be working with managers to help them to deliver different service options. This could include channel shift, automation or different service models with the appropriate level of control.

#### **5. Progress against the plan 2015-16**

- 5.1 The table below summarises progress against the Audit Plan for 2015-16. 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 work programme.

5.2 In 2015-16 we completed 84 per cent of the audit plan. There were a number of unplanned reviews which accounted for the shortfall. Some audits were completed after the end of the year and on which we have not yet given an opinion. However, in the work carried out so far there is no indication of any material or significant issues arising that would give rise to concern.

5.3 The assurance ratings of the work carried out in the year to 31 March 2016 are shown below:

Assurance Rating on Productive Audit Work	No. of Audits	
Substantial	16	18%
Reasonable	41	47%
Limited	3	3 %
No Assurance	0	0%
No Opinion (one-off projects)	9	10%
In Progress (inc. FSR and Lean reviews)	14	16%
Deferred to 2016-17	4	4%
Total audit coverage	87	

## 6. Summary of Audit Reports October 2015 to March 2016

6.1 The summaries of the audit reports that we have carried out in the period October 2015 to March 2016 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 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.

## **7. NO OPINION**

- 7.1 There has been one investigation in the period relating to a financial irregularity. This has been reported to the police and we are awaiting the outcome of the investigation and therefore it not appropriate to go into further detail but the loss to the Council is not significant.
- 7.2 During 2015-16 we started a major project to map all the income streams across the Council. It is a substantial piece of work involving income of £33m over 600 cost centres.
- 7.3 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. We have discovered some control issues from the work that has already been completed which are covered in greater detail later in the report but in the main the governance on income is sound. The scale of this work has impacted on the plan and as a result, some low risk audits have been deferred or postponed. All the high-risk audits have been completed.

## **8. NO ASSURANCE**

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

## **9. LIMITED ASSURANCE**

### **9.1 Taxi Licence Fees**

As part of the fee setting process we carried out a data quality review of taxi-licensing fees. This followed a history of challenges to the fees in previous years. The review included an analysis of the raw data and the formulae upon which the fees were based. The data quality review found that there were some errors in the methodology and a formula error, which resulted in a change for some of the fees. Some were increased and some went down. However, this is an area which is under close scrutiny from the taxi drivers and we need to be confident that the governance and data which supports the fee setting is correct before the fees are agreed. Areas for improvement have been identified and are subject to an action plan but a further data quality checks will be carried out in 2016-17.

### **Audit Opinion – Limited Assurance**

## 9.2 **Income Mapping**

As mentioned above we have started a review of the controls and reconciliation processes on all income streams across the Council. The initial phase of the review concentrated on the governance on our fees and charges. We found that not all fees and charges had been agreed by Council, some were not in the fees and charges register as required by our Constitution and some were being decided by service managers who did not have the delegated authority to make that decision. These anomalies have now been addressed.

- 9.3 The income mapping project also identified an issue with a lease where we have not recovered the utility costs from the leaseholder as is required in the lease agreement since the construction of the building in 1995. This amounts to £75,000. Audit are working with Legal Services and Asset Development to implement new controls to prevent a re-occurrence. We are taking advice on whether we can recover these costs.

### **Audit Opinion – Limited Assurance**

## 10. **REASONABLE ASSURANCE**

### 10.1 **Creditors**

The Payments team consists of the e-Payments Manager; an Assistant Payments Manager; a Senior e-Payments Officer and four Purchasing and Payments Officers. The objectives of the audit were to ensure that:

- Access to CIVICA is restricted to authorised officers and different levels of access are granted in proportion to each user's role. Users are reconciled with leavers reports periodically;
- Orders and payments are authorised in accordance with an authorised signatories list and the signatories' delegated limits;
- Goods and services are receipted and the invoice is matched to the order before payment is made;
- Payments are supported by a valid VAT invoice (or equivalent), are appropriate purchases and correctly coded to a cost centre with a budget provision;
- There is an adequate segregation of duties in the ordering, receiving and payment of goods and services;
- The accuracy and appropriateness of invoices is checked before payment is processed;
- BACS runs are reconciled to the creditors system (number and value) and there is a restriction on the maximum value of payments allowed by BACS;
- Exception reports are independently reviewed (e.g. new suppliers, duplicate payments, high value/frequency payments);
- Manual cheque details are included in the creditor module and total expenditure figures produced by the system;
- Creditor related control accounts are regularly reconciled and cleared;
- Creditor accounts can only be created and amended by restricted staff and new and amended accounts are reviewed. Changes to bank account details are confirmed with the creditor;

- The creditors system is periodically reconciled to the general ledger;

10.2 The review found several areas of good practice; however, a control weakness was identified as the review found that duplicate payments were not chased in a timely manner.

**Audit Opinion- Reasonable Assurance - Action taken** – There are now two Independent checks on all payment runs. One report checks for duplicate amounts and the other checks for duplicate invoice numbers.

### 10.3 Sundry Debtors

10.4 The Debtors team consists of a Debtors Supervisor and three Debtor Assistants. The Debtors team raises invoices at the request of the departments within the Council. The team also administers Debt chasing and recovery actions and administers write-offs in accordance with the established policies when all possible routes of recovery have been exhausted. In 2015-16 the team raised 28,605 invoices with a value of £25,451,999. The objectives of the review were to ensure that

- The key business processes that comprise sundry debtors are articulated within up to date procedure notes;
- Financial regulations and Standing Orders underpinning the debtors process are up to date and known by all relevant staff;
- All debtor requests contain details pertaining to: cost centre; value; coding; and have been authorised prior to processing;
- VAT is accounted for correctly;
- There is adequate segregation of duties between invoicing and collection of debtor monies;
- There is a clearly defined debt recovery procedure in place that is underpinned by a formal and up to date debt recovery policy;
- All write offs are authorised in accordance with the Council's Scheme of Delegation and are supported by appropriate evidence;
- Periodic reconciliations are performed between the debtors system and: the main accounting system; and feeder systems such as cash;
- Senior management review of aged debtors takes place as does the review of the financial standing of material and or/recurring bad debtors at the point of setting up a new debtor (e.g. reference to bankruptcy notices);

10.5 There were areas of good practice however; a control weakness was identified in the testing where there were instances where the Debtors Section and Legal Services had not actively pursued the aged debt. These cases are now subject to review.

**Audit Opinion – Reasonable Assurance**

### 10.6 Payroll

The Payroll Section comprises of the Payroll and Insurance Manager and two Payroll Officers. It is responsible for the administration and processing of the salary payments (including making compulsory and volunteer deductions from salaries) for the employees at Guildford Borough Council. The Payroll Section



uses the Selima system and processes payroll for approximately 800 employees per month and 250 payees on the casual or temporary payroll.

10.7 The overall objective of the audit was to ensure that adequately controlled processes are in place that support the effective and efficient operation of the Payroll system. The specific objectives of the review were to ensure that:

- Procedures have been documented, are subject to periodic review and are readily accessible for staff;
- Access to the Selima system is restricted to authorised officers and different levels of access are granted in proportion to each user's role;
- System parameters are updated promptly on the system and only by restricted officers;
- Starters are adequately authorised and promptly and accurately recorded on the system;
- There is adequate segregation of duties in the setting up of new starters and the authorisation of payment;
- Notification of Leavers are appropriately authorised and processed on the system promptly to ensure no overpayment are made;
- Overtime claims and variances to pay (eg honoraria) are adequately authorised and checked for accuracy following input to the system.
- Exception Reports are produced and reviewed by management to identify any follow up action which may be necessary, including reasonableness checks on pay run;
- Establishment lists are periodically distributed to managers to confirm they are accurate;
- The system calculates the correct pay according to the system parameters;
- The pay file is transmitted securely each month and reconciled to the total value expected;
- Payslips are produced for every department and independently reviewed for duplicate payslips;
- Total deductions are reconciled and amounts paid to respective bodies;

10.8 There were no major areas of concern but the review found that Payroll do not maintain an authorised signatory list and evidence of authorisation of honorarium payments was not on file. There is now a formal process where HR advises Payroll of honorariums. The authorised signatory list is held in Creditors and it is felt that to compile another one would be a duplication.

### **Audit Opinion – Reasonable Assurance**

#### **10.9 Council Tax**

The Council has approximately 56,000 residential properties and the Council Tax team are responsible for collecting and processing, managing Council Tax bills and amendments. The Council Tax Manager has a team of 15 staff and in 2015-16 they achieved 99.32% collection rate with a value of £89,113,899. The objectives of the audit were to ensure:

- There are processes in place to ensure compliance with established policies, procedures, laws and regulations;
- Tax liability is identified for all properties;
- Demands are accurate and in accordance with legislation;
- Reductions are granted only after checks are made against eligibility criteria;
- Payments are credited to the correct accounts and on a timely basis;
- Write-offs are actioned in accordance with defined policy;
- Refunds are made only where there is a sound reason to do so;
- Adequate segregation of duties is in place between administration and collection duties;
- Integrity and availability of information, accounts and data;
- Management information produced is timely, appropriate and adequate;
- Personal data is processed in a secure and controlled manner in line with internal policy and legislation; and

10.10 The review found many areas of good practice.

- The Gross debit reconciliation information was generated by the Business and Systems Manager and was reviewed by the Council Tax Manager and her team prior to the annual billing run taking place.
- The Council Tax system (Civica) parameters were uploaded with the 2015/16 banding rates and were reviewed and evidenced by way of a signature and date by the Council Tax Manager.
- The 2015/16 Council Tax bandings were approved by Full Council on 11th February 2015 and was subsequently published in the local newspaper in the same month.
- The Council offers a variety of payment methods for customers. These are communicated to every household via the bill itself, booklet and the Council's website.
- Access to the Civica system is controlled and monitored by the Business Rates and Systems Manager. A quarterly review is conducted to ensure that the roles and the users are correctly recorded. Users also lock their screens when they leave their desks to ensure that personal data is not accessible in their absence.
- The Revenues section monitors on a monthly basis the Council Tax collection rate. The year end target is 99%.

10.11 There was one area, which was considered a control weakness, which related to declarations of interest by the Council Tax team. This has been referred to Human Resources and Legal Services.

**Audit Opinion – Reasonable Assurance**

## 10.12 National Non-Domestic Rates(NNDR)

The Council has approximately 4,500 business properties and is responsible for collecting NNDR from these properties. The Revenues team is responsible for collecting and managing the service for the Council. The team consists of a manager and three assistants. In 2015-16 the team had a collection rate of 99.48%, which amounted to £ 82,342,248.55

10.13 The specific objectives of the audit were to ensure that :

- There are processes in place to ensure compliance with established policies, procedures, laws and regulations;
- Tax liability is identified for all properties;
- Demands are accurate and in accordance with legislation;
- Reductions are granted only after checks are made against eligibility criteria;
- Payments are credited to the correct accounts and on a timely basis;
- Write-offs are actioned in accordance with defined policy;
- Refunds are made only where there is a sound reason to do so;
- Adequate segregation of duties is in place between administration and collection duties;
- Integrity and availability of information, accounts and data;
- Management information produced is timely, appropriate and adequate;
- Personal data is processed in a secure and controlled manner in line with internal policy and legislation;

10.14 The audit found several areas of good practice and two control weaknesses. They related to declarations of interest by the staff and the timely write-off of debts. These issues are now being dealt with and there is now a write-off programme in place.

### **Audit Opinion – Reasonable Assurance**

## 10.15 Legionella

This was a follow-up to a previous audit, which was given a Limited Opinion. Progress against the recommendations from the initial review is shown below.

Recommendation	Audit Finding
The need for a Corporate Lead	Partially Implemented

Standard Procedures and Forms	Fully Implemented
Training	Fully Implemented
Change Management	Fully Implemented
Performance Indicators	Partially Implemented

Work is on-going on the two recommendations that have been partially implemented.

### **Audit Opinion – Reasonable Assurance**

## **11. SUBSTANTIAL ASSURANCE**

### **11.1 Main Accounting**

The overall objective of the audit was to ensure that adequately controlled processes are in place to support the effective and efficient operation of the Main Accounting system. The specific objectives of the review were to ensure that:

- Access to the general ledger system is appropriate and restricted only to those who need it;
- Income and expenditure information from the feeder systems is regularly reconciled with the general ledger;
- Input into the General Ledger is complete, accurate and valid;
- Suspense/holding accounts are regularly cleared;
- Cash and Bank balances are adequately controlled;
- Closing balances from the prior year are accurately rolled forward to current year opening balances;
- Amendments to the General ledger's Master data are complete, accurate and valid;

11.2 Based on the work undertaken we gave a substantial assurance on the level of control. There were no key weaknesses identified during the audit.

11.3 We identified the following areas good practice:

- All system users are allocated a unique user ID and password controls are in place, which includes a forced change every 90 days.
- The financial system automatically checks existing users against the Windows network users and any which no longer exist on the Windows network are flagged to the System Administrators. In addition to this, the Monthly Audit Report produced for Management contains a list of users for Creditors and Debtors, which is verified by the respective Manager.
- Journals processed on the system do not require authorisation. However, individual journal entries over £1m are included within the monthly Audit

report, which is independently checked and signed off by the Head of Finance.

- The Monthly Audit Report referred to above also includes a list of new, amended and deleted general ledger codes for that period and identifies the name of the officer who has made the change.
- Monthly bank reconciliations are performed in a timely manner and are subject to review.
- Balances contained within the Income System suspense account are posted to the correct accounts throughout the year. Any remaining balances are subject to a year end clear down exercise. At the time of the audit, the suspense account balance stood at £1,187,224.73.
- The 2014/15 closing balances had been accurately brought forward into 2015/16.

### **Audit Opinion – Substantial Assurance**

#### **11.4 Treasury Management**

The Treasury Management function is managed by the Council's Accountancy Team, two Finance Officers are responsible for running this function. The Senior Accountant (Treasury Management & Capital) reports to the Head of Financial Services and the Chief Financial Officer. The audit focused on mapping the key processes that comprise the Treasury Management system and then to test a sample of transactions (investments and borrowing) to ensure that the processes are consistently followed and adequately controlled. The overall objective of the audit was to ensure that adequately controlled processes are in place to support the effective and efficient operation of the Treasury Management system. The specific objectives of the review were to:

- Review of Financial Regulations, the Treasury Management strategy and operational procedures.
- Evaluate Independent management review procedures over the Council's cash position, debt profile and performance including appropriate scrutiny arrangements over treasury management decisions.
- Consider quality of reports to Members over treasury management activity, including performance against the Prudential Indicators.
- Ensure that key reconciliations are undertaken, notably reconciliations of loans/investment records to the ledger; investment income, purchases and payments to cash.
- Consider adequacy of segregation of duties.
- Review access controls over the Treasury Management system and ensure that back up processes are in place;

11.5 Overall, based upon the work undertaken, we gave substantial assurance on the level of control and no key weaknesses in control were identified.

11.6 The areas of good practice and effective controls are shown below:

- The Council's 2015/16 Treasury Management Annual Strategy was approved by the Executive on 20 January 2015;

- The TM team maintain a detailed TM monitoring spreadsheet which contains the monthly reconciliations for investments and loans;
- There is an adequate paper audit trail in place to support all investments made and borrowing taken out during the year;
- The Council's cashflow position is reviewed and uploaded onto LATIMA 2000 (cashflow system) daily by the Senior Accountant;
- The Senior Accountant receives daily information with regards to investment rates from a vast number of sources, such as the Council's stock brokers, banks;
- The Council adheres to an approved list of counter-parties;
- Half yearly TM monitoring reports are presented to the Executive. The 2015-16 TM monitoring report was in the process of being compiled to be presented to Scrutiny in November 2015.

### **Audit Opinion – Substantial Assurance**

#### **11.7 Housing Benefit**

The Housing Benefits caseload is made up of pension and working age claimants. The Department of Work and Pension pays back all Housing Benefits payments that have been made through its subsidy regime. In 2015/16 the Housing Benefits team processed 2,948 new claims and 30,224 Change of Circumstances. Total payments were £35.3 million.

The overall objective of the audit was to ensure that adequately controlled processes are in place that supports the effective and efficient operation of the Housing Benefit system. The specific objectives of the review were to ensure that:

- There are appropriate and adequate procedures in place for the administration of benefit claims;
- Claims are processed in an accurate and timely manner in accordance with policies and procedures;
- Payments are made in accordance with legislative requirements and procedures;
- Calculations of overpayments are accurately assessed, supported by adequate documentation and appropriate action is taken to ensure appropriate recovery;
- Regular and timely reconciliations are performed to confirm that integrity and availability of information, accounts and data;
- Management information produced is timely, appropriate and adequate;
- Subsidy claims are submitted on a prompt and regular basis, to ensure that the correct amount of subsidy is received in a timely manner;

Overall, based upon the work undertaken, we gave a substantial assurance on the level of control and no key weaknesses were identified during the audit.

11.8 The following areas of good practice were identified:

- The Housing Benefit system parameters are uploaded by the Systems Team in February of each year. The Housing Benefits Manager checks the data and highlights any amendments, which are re-checked. Records of the checks undertaken and all relating correspondences is kept in a file;
- Destin Solutions hosts the Housing Benefit guidance notes, which staff can access via the internet. Any changes to the guidance notes are amended by the Housing Benefit section and these are then uploaded onto the internet.
- Testing of a sample of twenty Housing Benefits payments identified that in all cases, payments had been correctly and accurately recorded on the benefits system.
- Emergency Cash payments are not considered necessary as there are payment runs every Wednesday and Friday.
- The Finance Section notifies Housing Benefits of any returned payments which are in turn investigated.
- The 2015/16 Housing Benefits Subsidy claims were submitted to the Department of Works and Pensions as per the prescribed deadlines:

### **Audit Opinion – Substantial Assurance**

#### **11.9 Land Charges**

Local Land Charges were the creation of the Local Land Charges Act 1925, which was subsequently added to by the Local Land Charges Act 1975 and aims to protect buyers of the land from being caught out by obligations against them by local authorities under various statutes.

11.10 A local land charge is a restriction on a piece of land or property that can limit its use or bind the owner to a payment of a sum of money. Charges can include planning decisions; road agreements; tree preservation orders; conservation areas and listed buildings notices; environmental health notices and charges or objections made against previous owners.

The objectives of the audit were to ensure:

- Compliance with the Land Charges Act 1975 and the latest rulings regarding the VAT charge for CON29R and CON290 under the Environmental Information Regulations.
- Compliance with the Court of Justice of the European Union regarding the implications for charges for property searches.
- The Land Charges Section maintains a register, which is up to date and current.
- Income received is banked promptly and the register is updated accordingly.
- Regular reconciliations are carried out between income collected and the accounting records in the General Ledger.

- Budget monitoring is effective and carried out on a regular basis.
- The fees are calculated to reflect a break-even service.

The audit found that the controls in place were sound and there were no key control weaknesses

**Audit Opinion – Substantial Assurance**

**12. ONGOING WORK**

	<b>Status</b>	<b>Predicted Audit Opinion</b>
Grants	Draft Report in preparation	Reasonable
Income mapping	Phase 3 in progress	Reasonable
Asset Management	Draft Report with service manager	Reasonable
Industrial Estates	Draft Report in preparation	Reasonable
Asbestos	Draft Report with service manager	Reasonable
Tenancy Fraud	Initial assessment complete testing in six months	No Opinion
Network Security	Draft Report in preparation	Reasonable
Information Security	Draft Report in preparation	Reasonable
Energy Management	Benchmarking data gathering complete (FSR)	No Opinion
S106 Review	Draft Report with Service Manager	Reasonable
Building Maintenance	Initial phase (FSR)	No Opinion
Anti-money Laundering	Policy review in progress, risk areas identified	No opinion
Taxable Benefits	Draft Report with Service Manager	Reasonable
Complaints	In progress	No opinion

I have given indicative audit opinions to these audits based on the findings so far but I will inform the Committee of any significant changes. Where there is No Opinion this is either A Fundamental Service Review, which is in, progress or we have done preliminary work and agreed an action plan with the service managers, which we will test at a later date.



### 13. CORPORATE PROJECTS

#### 13.1 Ombudsman

There have been 13 Local Government Ombudsman (LGO) complaints in 2015-16. A summary of the cases is set out below:

Reference	Date of Decision	Service	Outcome
AJ/14/0004	27/04/2015	Corporate and Legal	Not Upheld , no maladministration
AJ/15/0001	29/04/2015	Environmental Services	Premature
AJ/15/0002	15/06/2015	Planning	Not Upheld , no maladministration
AJ/15/0004	28/09/2015	Housing	Closed after initial enquiries
AJ/15/0005	10/08/2015	Planning	Closed after initial enquiries – out of jurisdiction
AJ/15/0003	26/11/2015	Planning	Upheld – maladministration and injustice
AJ/15/0007	7/12/2015	Housing	Premature
AJ/15/0011	15/02/2016	Highways	Closed after initial enquiries – out of jurisdiction
AJ/15/0010	18/02/2016	Planning	Upheld – maladministration no injustice
AJ/15/0009	18/02/2016	Planning	Upheld – maladministration no injustice
AJ/15/0008	18/02/2016	Planning	Upheld – maladministration no injustice
AJ/15/0013	7/03/2016	Corporate and Legal	Premature

### 14. GOVERNANCE PROJECTS

#### 14.1 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.

#### 14.2 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.

- 14.3 We carried out a review on the governance of the Riverside Towpath project and found that there were areas for improvement. The review identified issues with communication and roles and responsibilities which need to be addressed to ensure that the Council's projects are managed in a consistent manner in line with the Council's policies and procedures.

## **15. SERVICE REVIEWS**

- 15.1 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.

### **15.2 Heritage Services**

We have been working with Heritage Services (Museum, Guildford House) on a Lean Review. This looks at all the business processes, structures and synergies to deliver a more streamlined efficient and effective service. This is now nearly complete and a report with recommendations for the future is being prepared.

### **15.3 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. A major element of the delivery of the savings was the introduction of new parking software. This will allow many of the back office systems to be automated, which in turn should allow us to capture many of the efficiencies identified in the lean review.

## **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 also working with services not only through the traditional audit route but also through lean reviews and business process re-engineering. This is a time of change for the organisation. The audit plan for 2016-17 is structured to reflect the changing needs and priorities of the Council. We will continue to review the audit service to ensure that we have the necessary resources and expertise to deliver a robust audit plan in line with best practice. This means that we can ensure that any new system includes the necessary controls and governance.

## **17. Financial Implications**

- 17.1 The financial implications of the new structure were the subject of a growth bid, which has been agreed.

## **18. Legal Implications**

- 18.1 The Local Government Act 1972 (S151) requires that a local council "shall make arrangements for the proper administration of their financial affairs".

- 18.2 The 1972 Act is supported by the Accounts and Audit Regulations 2011 which state that “ A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control “.
- 18.3 The internal audit plan is necessary to satisfy these legal obligations.

**19. Human Resources**

- 19.1 The new structure will be in place in the latter half of 2016-17 and may lead to a change with the Plan and this will be reported to Committee.

<b>Audit Plan 2016-17</b>				
<b>Appendix 1</b>				
<b>Service Unit</b>	<b>Risk Score</b>	<b>Audit Days</b>	<b>Audit Type</b>	<b>Progress</b>
<b>Economic Development</b>				
Electric Theatre	B	10	Asset Management	
Guildford House	B	10	Lean Review	<b>In Progress</b>
Museum	B		Lean Review	<b>In Progress</b>
Guildhall	B		Lean Review	<b>In Progress</b>
TIC	B		Lean Review	<b>In Progress</b>
<b>Planning</b>				
Planning Enforcement	A	15	Compliance	
<b>Operational Services</b>				
CCTV	B	10	Follow-Up	
Dog Control	C	5	Lean Review	
Fleet management	B	20	Systems Audit	
Parking	A	15	System Implementation	
Refuse And Recycling	B	10	VFM Audit	
Street Cleansing	B	10	VFM Audit	
Vehicle Maintenance	B	10	Systems Audit	
<b>Parks and Leisure</b>				
Crematorium	B	8	Systems Audit	
Parks and Leisure	B	10	FSR	
Glive	B	8	Contract Monitoring	
Leisure Management Contract	B	10	Contract Monitoring	
<b>Financial Services</b>				
Main Accounting	A	10	Journal Testing	
Treasury Management	A	10	Compliance	
Debtors	A	10	Performance testing	
<b>Revenues and Payments</b>				
Council Tax	A	10	Discount review	
Housing Benefit	A	10	Subsidy testing	
NNDR	A	10	Discount Review	
Payroll	A	10	Data Quality Checks	
Insurance	B	10	Compliance Audit	<b>In progress</b>
Creditors	A	10	Duplicate Payments	
Cash and Bank (Adelante)	A	5	Follow-Up	
Purchase to Pay System (Procurement Cards)	B	8	Follow-Up	
Self-Employed	B	10	Compliance Audit	<b>In Progress</b>
Authorised Signatories	A	3	Compliance Audit	

<b>Legal and Democratic Services</b>				
Elections	B	10	Compliance	
Electoral Registration	B	10	Compliance	
<b>Health and Community Care</b>				
Community Transport	B	10	Systems Audit	
Premises Licenses	A	10	Systems Audit	
Food and Safety	A	10	Compliance	
Grants to Voluntary Organisations	B	5	Compliance	<b>In Progress</b>
Health and Safety	B	10	Compliance	
Taxi Licensing	A	10	Compliance	
Env Health Out of hours payments	B	10	Systems Audit	
<b>Housing Advice</b>				
Homelessness and Emergency Accommodation	B	10	Systems Audit	
Tenancy Fraud	A	10	Systems Audit	<b>In Progress</b>
<b>NHMS</b>				
Building Maintenance	A	20	FSR	
Rents (Arrears and Write-Offs)	A	10	Follow-Up	
Stores	A	10	Follow-Up	
Gas Servicing	A	10	Follow-up	
<b>Business Systems</b>				
Network Security	A	10	Systems Audit	
Access Controls	A	10	Follow-up	
Information Security	A	10	Systems Audit	
Change Control	B	5	Systems Audit	
Asset Management	B	5	Follow-up	
Business Continuity	A	10		
<b>Economic Development</b>				
Industrial Estates	B	10	Systems Audit	<b>In Progress</b>
Asset Management	B	10	Systems Audit	
Energy Management	B	10	FSR	<b>In Progress</b>
<b>Human Resources</b>				
Selima Access Controls)	A	5	Systems Audit	
Home Working/Remote Access	B	15	Systems Audit	
Staff Benefits	B	10	Systems Audit	
<b>Governance</b>				
Risk Management	A	10	Performance Review	
Performance Management	A	10	Performance Review	
Project Management	B	15	Performance Review	
Transparency Code	A	10	Performance Review	<b>In Progress</b>
Money Laundering	A	10	Performance Review	<b>In Progress</b>
Complaints	A	5	Performance Review	
Data Quality Assurance	A	15	Systems Review	
Public Health and Wellbeing Agenda	A	5	Performance Review	

<b>Contracts</b>				
Service Contracts	A	15	Systems Audit	
Term Contracts	A	15	Systems Audit	
Capital Projects	A	15	Systems Audit	
<b>Non Rechargeable</b>				
Sick Leave		15		
Appraisals		5		
1:1s		5		
Training		5		
Audit Planning		5		
Audit Management		5		
Committee Reports		3		
Recommendation Management		5		
New Audit Contract		5		
<b>Non Audit Duties</b>				
Ombudsman		15		
Lean		15		
FOI/SAR		15		
Special Projects		15		
<b>Total Days</b>		<b>770</b>		