

## **Guildford Borough Council**

### **Head of Internal Audit Annual Opinion**

**1 April 2016 to 31 March 2017**

#### **1. Introduction**

- 1.1 It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of the system of internal control. This is based on the standard of control observed from internal audits, which have been carried out in accordance with the annual Audit Plan and other advice work on control systems. The results of our investigation work and the work of other internal and external reviews also informs my opinion.
- 1.2 My opinion on the adequacy and effectiveness of internal control informs and should be read alongside the Annual Governance Statement, which is incorporated into the Council's Statement of Accounts.
- 1.3 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives.
- 1.4 An effective internal audit service is critical in delivering the Council's strategic objectives by:
1. Championing best practice in governance,
  2. Objectively assessing the adequacy of governance and management of existing risks,
  3. Commenting on responses to emerging risks and proposed developments; and
  4. Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- 1.5 It objectively examines, evaluates and reports on the adequacy of the governance and control environment as a contribution to the proper, economic and effective use of resources. The control environment comprises the organisation's policies, procedures and operations in place to:
1. Establish, and monitor the achievement of, the organisation's objectives.
  2. Identify, assess and manage the risks to achieving the organisation's objectives.
  3. Facilitate policy and decision-making.
  4. Ensure the economical, effective and efficient use of resources.
  5. Ensure compliance with established policies, procedures, laws and regulations.
  6. Safeguard the organisation's assets and interests from losses of all kind, including those arising from fraud, irregularity or corruption.
- 1.6 One of the main aims of the internal audit team is to provide assurance on the Council's overall system of internal control. This is achieved in part through the delivery of the annual audit plan which is designed to:
1. Satisfy the requirements of the Corporate Governance and Standards Committee
  2. Ensure the delivery of a programme of audits on a risk based needs assessment.

3. Support the Managing Director as the Responsible Financial Officer and S151 Officer in discharging her statutory duties.

## 2. Assurance on Internal Control

- 2.1 To quantify my opinion on the adequacy of internal control, I have collated the assurance ratings based on for the outcome of each review undertaken in 2014-15. The results are shown in the table below.

Levels of Audit Assurance:

	Assurance Rating	Assurance Criteria
1	Substantial	Assurance that the controls are suitably designed consistently applied and effective
2	Reasonable	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
3	Limited	Some assurance that the controls are suitably designed and effective but inconsistently applied and action needs to be taken to ensure risks in this are managed
4	No Assurance	Fundamental control weaknesses that need immediate action
5	No Opinion	Results of one-off investigations or consultancy work

- 2.2 In 2016-17 there were 57 planned audits plus 6 unplanned reviews. Over the year we completed 85 per cent of the audit work (49 audits) with ongoing work on 8 reviews. The slippage was mainly due to reduced resources as a result of the long-term absence of a senior member of staff and a number of unplanned reviews. There eight audits in progress at the end of the year have not been given an opinion, however in the work carried out so far there is no indication of any material or significant issues arising from this work that affect this statement. The results of the work carried out in the year to 31 March 2017 are shown below:

Assurance Rating on Productive Audit Work	No. of Audits	
Substantial	6	9%
Reasonable	29	46%
Limited	3	4%
No Assurance	0	0%
No Opinion (one-off projects)	11	18%
In Progress (inc. FSR and Lean reviews)	8	13%
Deferred to 2017-18	6	10%
Total audit coverage	63	

- 2.3 The Internal Audit work programme is based on a risk assessment, which is updated after each audit. In 2016-17, there was evidence of sound controls and with the exception of a small number of medium risks, I can give substantial assurance on our major financial systems.
- 2.4 The Council has very high levels of assurance in respect of all the main financial systems and majority of its governance arrangements. All of the main financial systems that feed into the Council's financial statements have good controls in place and have been given

assurance following the audit reviews.

- 2.5 There were no control weaknesses found in the audits which represent a significant or material risk to the Council.
- 2.6 There are no specific governance, risk management and internal control issues of which Internal Audit have been made aware during the year, which cause any qualification of the above opinion. The main issue and priority from an audit perspective, as recognised by management, is that the Council sustains and completes the programme of transformational change and embeds improvement across the Council whilst maintaining service delivery and the effective operation of key controls.
- 2.7 The key governance, risk management and internal control areas where I consider good progress has been made and which are integral to continued improvement are:
  1. performance management of our progress against the Corporate Plan with a reporting schedule to Corporate Management Team, Scrutiny and Executive,
  2. the development of a new corporate risk register which recognises the emerging priorities and risks for the Council including on-going financial pressures,
  3. a new risk management strategy,
  4. an in depth review of elections resulting in improved controls and systems,
  5. a focus on tenancy fraud which has resulted in increased awareness and training for front line staff,
  6. a revised anti-money laundering policy,
  7. increased customer focus through more efficient and outward facing service delivery,
  8. a transformation programme including a programme of fundamental service reviews which will cover all services,
  9. channel shift by transferring front line administrative work and queries into the Customer Service Centre therefore releasing resources within the service to concentrate on professional and technical activities,
  10. review of our readiness for the introduction of the General Data Protection Regulations which come into force in May 2018,
  11. continuing training for staff on programme and project management,
  12. a review of the Council's performance against the Transparency Code,
  13. the development of Project Aspire which aims to empower and improve the lives of the most disadvantaged in our community,
  14. a review of the implications and controls relating to IR35 status for consultancy and interim staff working as self-employed or through a service company following new legislation,

15. Introduction of IDEA analytical software to improve data accuracy and which can be embedded within the Council systems to highlight anomalies and problems at an early stage.

- 2.8 Our audit work in 2016-17 has identified areas where further improvements can be made, and which we will be reviewing in 2017-18. These are:
1. Business continuity and emergency planning
  2. Transparency Code
  3. Data Protection
  4. Procurement
- 2.9 We have continued to provide training to staff on project and programme management to embed this within the organisation. This will be an on-going exercise.
- 2.10 In 2016-17, we found issues with access permissions to some data held on Sharepoint. The review identified the need for a full review to ensure we comply with data protection legislation, in particular, how permissions are set up and the need for data cleansing the site.
- 2.11 There have been continuing changes over the last year with the focus on transformation and re-organisation of some major services. We recognise that risk always increases in times change but there is no evidence that where changes have taken place or are planned there are any control issues.
- 2.12 In a Council of Guildford's size and complexity, with its significant change agenda and the on-going financial pressures, there is a greater risk of breakdown of control particularly where roles and systems are changing. We have worked actively with management to identify and examine these areas of potential risk. Where audit work has highlighted areas for improvement recommendations have been made to address any control implications. Overall, internal audit considers that appropriate actions are being taken to address recommendations but will continue to monitor and report progress.
- 2.13 There were a number of service requests for work which were not on the audit plan and although there is always a contingency budget the work exceeded the budget, therefore, the work undertaken during the period focussed on covering the governance and high risk areas in order to provide assurance on the Council's overall system of internal control.
- 2.14 I can therefore provide substantial assurance that the Council's systems of governance, risk management and internal control in operation until 31 March 2017 were generally sound and operate consistently across departments.

Joan Poole

Chief Internal Auditor