



Southern Internal Audit Partnership

Assurance through excellence
and innovation

GUILDFORD BOROUGH COUNCIL INTERNAL AUDIT PROGRESS REPORT NOVEMBER 2023

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DECEMBER 2023

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

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

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

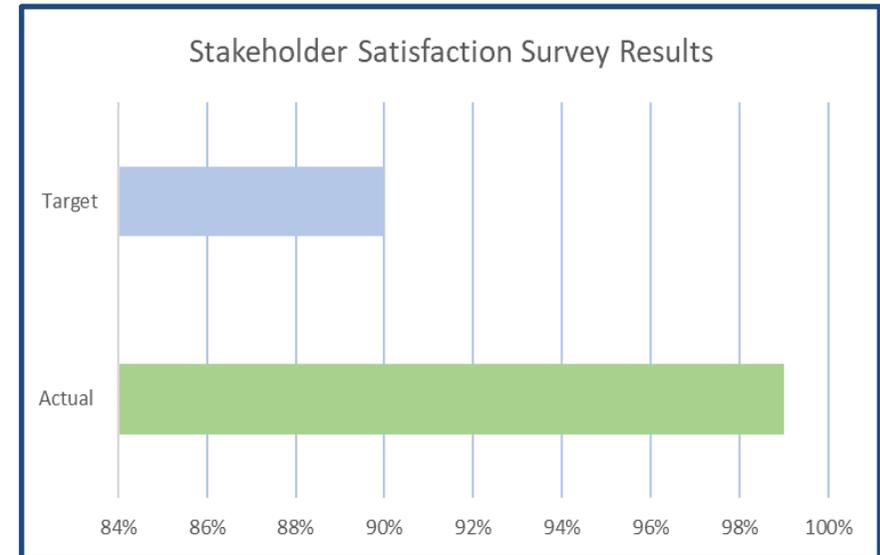
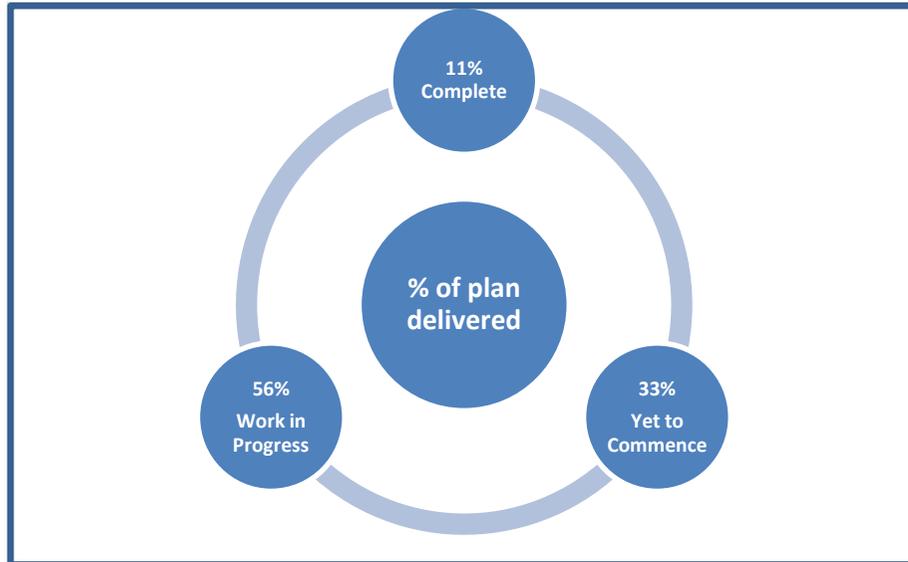
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	<i>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</i>
Reasonable	<i>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</i>
Limited	<i>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</i>
No	<i>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</i>

* Some reports listed within this progress report (pre 2023-24 audit plan) refer to categorisations applied by the Council’s previous internal auditors – KPMG. The definitions applied to these categorisations is provided at Annex 3. Opinions applied to all work from 2023/24 are in accordance with the CIPFA standard definitions.

3. Performance dashboard NEEDS UPDATING



Compliance with Public Sector Internal Audit Standards

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

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due	Complete	Overdue		
							L	M	H
2022/23 KPMG Reviews									
Performance Monitoring	June 22	JSDoT&G	Significant (minor improvement opportunities)	3 (0)	3 (0)	3 (0)			
Customer Services – Complaints Handling	Aug 22	JSDoT&G	Partial	10 (6)	0(0)	9 (6)	1		
Payroll	Sept 22	JSDoT&G	Significant (minor improvement opportunities)	3 (0)	0 (0)	1 (0)		2	
Risk Management	Oct 22	JSDoT&G	Significant (minor improvement opportunities)	5 (0)	2 (0)	3 (0)			
IT Infrastructure for Remote Working	Nov 22	JSDoCW	Significant (minor improvement opportunities)	6 (0)	0 (0)	2 (0)	4		
Redevelopment Projects	Jan 23	JSoP	Partial	12 (5)	0 (0)	7 (5)	2	3	
Budgetary Control	Feb 23	JSDoT&G	Partial	9 (5)	0 (0)	4 (4)		4	1
S106 Contributions	Mar 23	JSoP	Significant (minor improvement opportunities)	6 (0)	0 (0)	2 (0)	2	2	
Core Financial Controls – Journals	Mar 23	JSDoT&G	Significant (minor improvement opportunities)	3 (0)	0 (0)	1 (0)		2	
Payroll Budget Discrepancy	Mar 23	JSDoT&G	Partial	5 (3)	0 (0)	3 (2)	1		1
Core Financial Controls – General Ledger	Mar 23	JSDoT&G	Significant (minor improvement opportunities)	4 (0)	0 (0)	0 (0)		4	
2023/24									
Procurement	31.10.2023	JSDoT&G	Reasonable	9 (2)	4 (1)	5 (1)			
Information Governance	04.12.2023	JSDoT&G	Reasonable	14 (6)	13 (6)	1 (0)			
Total							10	17	2

*Total number of actions (total number of high priority actions)

Audit Sponsor (Joint Strategic Director)

JSDoT&G	Joint Strategic Director of Transformation and Governance	JSoP	Joint Strategic Director of Place
JSDoCW	Joint Strategic Director of Community Wellbeing		

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no reports published concluding a “Limited” or “No” assurance opinion to date for 2023/24.

6. Planning & Resourcing

The internal audit plan for 2023-24 was presented to the Corporate Management Board and the Corporate Governance and Standards Committee in March 2023.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. A number of adjustments to the plan have been made since the plan was approved by this Committee in March 2023 and these are reflected within section 8 of this report. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate								
Procurement	T&G	✓	✓	✓	✓	✓	Reasonable	
Governance								
Information Governance	T&G	✓	✓	✓	✓	✓	Reasonable	
Fraud Framework	T&G							Q4
Decision Making and Accountability	T&G	✓						

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
IT								
Cyber Security	CW							Q4
Core Financial								
Accounts Receivable and Debt Management	T&G	✓	✓	✓	✓			
Housing Benefits	T&G	✓	✓	✓	✓			
Main Accounting – Reconciliations, Feeder Systems	T&G	✓						
Main Accounting – Budgetary Control	T&G	✓						
Treasury Management	T&G	✓	✓					
Contract Management	T&G							Q4
Accounts Payable	T&G							Q4
Homes and Jobs								
Housing Stores	CW							Q4
Housing Allocations	CW	✓	✓	✓	✓			
Building Control	T&G	✓						
Community								
Safeguarding	CW							Q4
Supporting Vulnerable People	CW	✓	✓	✓	✓			
Other								
Car Parks and Enforcement	T&G	✓	✓	✓				

8. Adjustments to the Internal Audit Plan

The following adjustments to the plan have been made:

Plan Variations	
Removed from the Plan	Reason
Risk Management	Audited in 2022/23 by KPMG, no significant issues identified.
Payroll	Audited in 2022/23 by KPMG, no significant issues identified.
Planned Maintenance	Removed to accommodate Housing Allocations as a higher priority.
Health and Safety (Corporate)	Removed to accommodate reviews of higher priority.
IT – Identity and Access Management	Removed to accommodate reviews of higher priority.
Responsive and Emergency Repairs	Removed due to a separately commissioned investigation within this area.
Fleet Operations	Removed to accommodate reviews of higher priority.
Housing Voids	Capacity issues within the department.
Savings Realisation	Due to ongoing work on the Financial Recovery Plan better timed in 2024/25 as part of a financial recovery focused audit review.
Added to the Plan	Reason
Fraud Framework	Anti-Fraud and Corruption Strategy being reviewed and updated. Management request to review changes. This will be undertaken encompassing a wider review of the corporate fraud framework.
Main Accounting	Following review of the completed KPMG 2022/23 report and management /Member concern around budget monitoring this has been added for 2023/24.
Housing Allocations	Brought forward from 2025/26 as considered a higher priority area.
Treasury Management	Reassessed as a high priority review due to significant financial pressures faced by the Council.
Contract Management	Reassessed as a high priority review due to significant financial pressures faced by the Council.
Accounts Payable	Reassessed as a high priority review due to significant financial pressures faced by the Council.
Housing Stores	Reassessed as a high priority review in view of other ongoing work within housing.

Overdue 'High Priority' Management Actions

Budgetary Control – Partial Assurance			
Observation: Review of the 2021/22 budget identified that a large proportion of variances were in relation to staff expenditure.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Ensure that use of agency staff in service areas are robustly challenged by Finance.	30.09.2023	30.11.2023 31.03.2.24	In progress. Report written as part of the recovery plan will undertake a full review followed by process design. This has begun but not fully in place. One of the focus during Q4 will be around setting a process for all agency staff including a review of all staff.

Payroll Budget Discrepancy – Partial Assurance			
Observation: Corporate programmes, like the FGP, are often outsourced to external consultants or contractors, who may not have a direct connection to the Finance department.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Implement a formalised, clear and consistent process of Finance oversight of corporate programmes	30.09.2023	30.12.2023	In progress. Part of the Finance Recovery Plan.

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Customer Services – Complaints Handling	Aug 2022	Partial	Low	31.03.2023	30.09.2023 31.12.2023
S106 Contributions	Mar 2023	Significant	Low	30.09.2023	31.01.2024
			Low	30.09.2023	31.01.2024
			Medium	30.09.2023	31.01.2024
			Medium	30.09.2023	31.01.2024
Payroll	Aug 2022	Significant	Medium	31.12.2022	30.09.2023 30.04.2024
			Medium	31.12.2022	30.09.2023 30.04.2024
IT Infrastructure for Remote Working	Nov 2022	Significant	Low	31.01.2023	31.12.2023
			Low	31.01.2023	31.12.2023
			Low	31.01.2023	31.12.2023
			Low	31.12.2022	31.12.2023
Redevelopment Projects	Jan 2023	Partial	Low	30.09.2023	31.03.2024
			Low	30.09.2023	31.03.2024
			Medium	30.04.2023	31.03.2024
			Medium	30.04.2023	31.03.2024
			Medium	31.07.2023	28.02.2024
Budgetary Controls	Feb 23	Partial	Medium	30.09.2023	31.12.2023
			Medium	30.09.2023	31.12.2023
			Medium	30.09.2023	31.12.2023
			Medium	30.09.2023	31.03.2024
Core Financial Controls - Journals	Mar 23	Significant	Medium	30.09.2023	31.10.2023 31.01.2024
			Medium	30.09.2023	30.11.2023 31.01.2024
Payroll Budget Discrepancy	Mar 23	Partial	Low	30.09.2023	31.03.2024

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Core Financial Controls – General Ledger	Mar 23	Significant	Medium	30.09.2023	30.11.2023 31.01.2024
			Medium	30.09.2023	30.11.2023 31.01.2024
			Medium	30.09.2023	30.11.2023 31.01.2024
			Medium	30.09.2023	30.11.2023 31.01.2024

Annex 3

Assurance Opinion	Definition
Significant assurance	The system is well designed and only minor low priority management actions have been identified related to its operation. Might be indicated by priority three only, or no management actions (i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process).
Significant assurance with minor improvement opportunities	The system is generally well designed however minor improvements could be made and some exceptions in its operation have been identified. Might be indicated by one or more priority two management actions. (i.e. there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring).
Partial assurance with improvements required	Both the design of the system and its effective operation need to be addressed by management. Might be indicated by one or more priority one, or a high number of priority two management actions that taken cumulatively suggest a weak control environment. (i.e. the weakness or weaknesses identified have a significant impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
No assurance	The system has not been designed effectively and is not operating effectively. Audit work has been limited by ineffective system design and significant attention is needed to address the controls. Might be indicated by one or more priority one management actions and fundamental design or operational weaknesses in the area under review. (i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks)