

Corporate Governance and Standards Committee Report

Report of Managing Director

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## Summary of Internal Audit Reports (April – September 2018)

### Recommendation

The Committee is requested to note the summary of audit reports and other associated work for the period 1 April 2018 to 30 September 2018.

#### Reason for Recommendation:

To ensure an adequate level of audit coverage.

### 1. Purpose of Report

- 1.1. To present a summary of audit work for the period 1 April 2018 to 30 September 2018.

### 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. Summary of Audit Reports – April 2018 to September 2018

- 3.1. The summaries of the audit reports that we have carried out in the period April to September 2018 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.

3.2. 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.

#### 4. **No Opinion**

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

#### 5. **No Assurance**

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

#### 6. **Limited Assurance - Progress Report**

6.1 There were a number of limited assurance reviews in 2017-18 and as a result, much of the work in the first part of the year has been focused on follow up audits to ensure that the agreed recommendations have been put in place or are being scheduled. Progress against the main findings in each audit is set out in the table below.

<b>Health and Safety</b>		
<b>Recommendations</b>	<b>Actions Agreed</b>	<b>Implementation Date</b>
<p>There were a number of service areas that did not hold a Part 2 Health and Safety policy. The overarching, Council-wide, Health and Safety Policy requires a Part 2 policy to be implemented within services in order to detail key roles and responsibilities, monitoring activities and emergency procedures. The audit found that there were a number of services that did not have a Part 2 policy or it was not up to date.</p> <p>It was recommended that service areas should have up to date Part 2 Policies in place that include key roles and responsibilities for health and safety</p>	<p>The corporate health and safety team will contact all service leaders and determine which services need a Part 2 statement. This has now been completed</p>	<p>There are currently two Part 2 statements outstanding. One of which is currently being compiled and is due in December the other is for a service which is currently part of a service review and has just had an interim manager appointed.</p>
<p>The review found that the required six monthly workplace inspections were not being completed in all service areas and it was recommended that workplace inspections should be completed within the time frame</p>	<p>It was agreed that the corporate health and safety team would work with service leaders to ensure the inspections were carried out.</p> <p>Target date 30 June 2018</p>	<p>Fully implemented 30 June 2018</p> <p>Staff are now required to carry out an on-line workplace assessment test. These are reviewed by the Health and Safety Officer</p>

<b>Staff Training</b>		
<b>Recommendations</b>	<b>Actions Agreed</b>	<b>Implementation Date</b>
<p>The review found that that there was no consistent or centrally maintained staff training needs analysis to highlight where training may be required as part of their role.</p>	<p>It was agreed that all posts in the Council would have a training needs assessment.</p> <p>Target date 31 August 2018</p>	<p>This has been fully implemented. A corporate training matrix has been developed and was sent to all service leaders in July 2018.</p>

<p>Whilst staff in some service areas, such as Operational Services, have role specific training identified, due to the level of risk in their roles, this is not carried out across the Council and staff may not be being provided with the appropriate level of training for their role.</p> <p>It was recommended that a central training needs analysis should be produced for all job roles within the Council</p>		<p>Training has been arranged for all service and team leaders at the end of November 2018. Further training for supervisors and managers has also been arranged in the same period.</p>
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<b>Fire Risk Assessments</b>		
<b>Recommendations</b>	<b>Actions Agreed</b>	<b>Implementation Date</b>
<p>The Council should have a designated officer and appropriate responsibilities are assigned to a single named individual within the Council. The Council should establish a specific group for fire risk management, whereby responsibility of management of fire risk is clearly assigned. Responsibilities for the Group should include, but not be limited to, following-up the recommendations arising from FRAs for the Council's properties.</p>	<p>A Fire Safety Group with representatives from Service areas is now established. The Group will take forward recommendations and will monitor overall compliance. There is a designated responsible officer and performance will be monitored by the Corporate Management Team.</p>	<p>Fully implemented: 31 May 2018</p>
<p>A procedure should be established to review the FRAs annually, in line with the requirements of the Corporate Fire Safety Policy.</p> <p>All residential properties should be identified and managed. The list should include the date of the latest FRA and the next assessment due date for each property. The listing should be kept up to date to reflect the status of the FRA for each property.</p>	<p>The matrix in the policy is for guidance only, as the FRA should always be re-performed in accordance with the contractor's suggested review date. The new Fire Safety Group has been tasked with ensuring the Council has up to date fire risk assessments which will be reviewed annually in accordance with the recommendations in the Council's</p>	<p>This has been agreed and we are currently testing a system that prompts staff to review their risk assessments on the due date to ensure that FRAs and Reviews are performed in line with policy. Target date 31 October 2018.</p> <p>Staff are now required to carry out an on-line Fire Risk workplace</p>

<b>Fire Risk Assessments</b>		
<b>Recommendations</b>	<b>Actions Agreed</b>	<b>Implementation Date</b>
	Corporate Fire Safety Policy.	assessment test. These are reviewed by the Health and Safety Officer
<p>Following the completion of a FRA, management should develop an action plan to ensure that all recommendations raised are Red, Amber, Green rated and prioritised.</p> <p>The action plan should be kept up to date to reflect the status of recommendations.</p>	<p>An action plan is being developed to ensure the Council can clearly identify and sign off what actions need to be undertaken in accordance with the latest fire risk assessments. The Fire Safety Group will review outstanding actions.</p>	<p>Surveyors are reviewing all action plans to verify that all the actions have been implemented.</p> <p>Revised target date 31 December 2018</p>

<b>Asbestos</b>		
<b>Recommendations</b>	<b>Actions Agreed</b>	<b>Implementation Date</b>
<p>The Council should ensure there is an up-to-date register, which clearly details all properties owned by the Council where asbestos containing materials (ACM) are present</p>	<p>An up-to-date asbestos register is being developed which will identify all properties where asbestos containing materials have been detected. This will provide a clear record identifying what actions need to be undertaken in accordance with the latest asbestos management surveys and will allow re-inspections to be dated and signed.</p>	<p>At the time of testing, a contract to appoint a specialist consultant to review the corporate properties register and update where necessary was under preparation. This is an on-going piece of work and we have revised the target date for completion as 31 January 2019</p>
<p>The Council should ensure that accountability for asbestos management and appropriate responsibilities is assigned to a named individual within the Council.</p>	<p>A new Asbestos Management Group is being established with representatives from service areas. The Group will agree Terms of Reference as well as reviewing and</p>	<p>All recommendations have been implemented and there are now sufficient governance processes in place. KPIs have been established to</p>

<b>Asbestos</b>		
<b>Recommendations</b>	<b>Actions Agreed</b>	<b>Implementation Date</b>
<p>The Council should establish a Corporate Asbestos Management Group – with individual working groups feeding into it, whereby responsibility of asbestos is clearly assigned.</p>	<p>updating the Corporate Asbestos Policy. In addition, they will ensure that corporate processes, procedures and training are put in place to provide full and safe management of asbestos. There is a designated responsible officer who, together with the Group, will review outstanding actions on the asbestos registers. Performance will be monitored by the Corporate Management Team.</p>	<p>monitor contract performance. A training needs analysis has been carried out for Building Responsible Persons and this is reviewed by the Health and Safety Officer.</p>

<b>Legionella</b>		
<b>Recommendations</b>	<b>Actions Agreed</b>	<b>Implementation Date</b>
<p>The review found that not all properties had an up to date legionella risk assessment (LRAs) in place. Risk assessments should be completed every 2 years or sooner if work has been carried out. There is also a concern that in a limited number of instances work had been carried out and Mechanical and Engineering staff had not been informed and therefore the risk assessments have not been updated.</p> <p>Not performing LRAs in a timely manner increases the risk of legionella going undetected</p>	<p>Management should review the dates of the latest LRAs for the Council's properties and ensure that an assessment is completed for all properties where an assessment is overdue.</p> <p>An appropriate process should be established whereby M&amp;E are notified of all works on properties that will result in the requirement of a new LRA being completed.</p>	<p>All recommendation arising from the audit last year have been actioned and implemented. There are now regular meetings with the contractor and performance is monitored on a bi-monthly basis. The Legionella Policy was signed off by the Health and Safety Group on 23 August 2018 and was uploaded onto the Intranet ensuring access to all staff. A training needs analysis has been carried out for Building Responsible Persons and this is reviewed by the Health and Safety Officer.</p>

## 6.2 Transparency Code

In February 2015, the government issued a revised Local Government Transparency Code and while compliance with the Code is compulsory, the Local Government Association has made it clear that it is very unlikely that any external inspections will be made of individual councils. However, it is possible that members of the public will complain to the Information Commissioner should they consider a council to be failing to comply.

6.3 In summary, councils are required to publish the following information, subject to certain restrictions relating to issues such as commercial confidentiality, data protection, copyright, licences and statutory requirements:

- Expenditure exceeding £500
- Government Procurement Card Transactions
- Details of tenders above £5,000
- Details of contracts above £5,000
- Local authority land
- Social housing assets
- Grants to voluntary, community and social enterprise organisations
- Organisation chart
- Trade union facility time
- Parking account
- Parking spaces
- Senior salaries
- Constitution
- Pay multiple
- Fraud

6.4 The Code requires that information is:

- demand led - requiring an understanding of what data communities want and how it should be published.
- open - helpful and accessible presentation and availability and promoted and publicised.
- timely - available as soon as possible after production.

6.5 The Code recognises that the method of publication is essential to true transparency and endorses what the Government calls the “five step journey to a fully open format”, which includes a star rating:

- One Star - Available on the web (whatever format) but with open licence
- Two Star - As for one star plus available as machine-readable structured data (e.g. Excel instead of an image scan of a table)
- Three Star - As for two star plus use a non-proprietary format (e.g. CSV and XML)
- Four Star - All of the above plus use open standards from the World Wide Web Consortium (such as RDF and SPARQL21)
- Five Star - All the above plus links an organisation’s data to others’ data to provide context

- 6.6 The Government recommends that local authorities publish data in Three Star formats where this is suitable and appropriate, alongside open and machine-readable format within six months of the Code being issued.
- 6.7 The review in 2017 identified areas for improvement and made recommendations detailed in the table below:

	<b>Recommendation</b>	<b>Implementation</b>
1	The Web Team carries out a review of the Transparency web page in order to reduce the content and increase traffic to the page.	Partially implemented end date 31 December 2018
2	The Council considers publicising the information in order to improve public awareness and increase traffic to the page	This will be done as part of the review of the web page
3	The Council reviews the content of the web page to ensure that it is up to date.	This will be done as part of the review of the web page
4	Ensure that where the Transparency information is published in a larger document, it is also published as an extract in the appropriate format to ensure accessibility and utility.	Implemented in full
5	Ensure that all information is published in the appropriate format to achieve the Three Star level required by the Code.	Will be part of the web review
6	Make the Council's Information Rights Officer responsible for the oversight of the Council's response to the Transparency Agenda.	Implemented in full
7	Review the Council's procurement processes to ensure the publication of tender and contract details.	Implemented

## **7. Reasonable Assurance**

### **7.1 Stores**

The review of the Council's stores at Woking Road Depot found that there are robust processes for ordering, issuing, returning, and counting stock. Stores staff are knowledgeable and have a clear understanding of the processes and

outcomes expected of them. There is a clear and effective working relationship with the borough housing repairs team.

Stock is properly controlled and can only be withdrawn through an authorised requisition. Deliveries are checked against purchase orders and invoices are only paid up to the extent of received stock. There is adequate CCTV and fire protection across the Stores.

There were some recommendation relating to tighter administration of job numbers, stock adjustments and the need for KPIs but overall there was a good level of compliance and control.

### **Audit Opinion: Reasonable Assurance**

#### **7.2 Development Control**

Development Control management consists of two teams, validation and assessment, allowing the officers in each to become specialised in their areas of the process. There is robust reporting of Key Performance indicators (KPIs), which have been defined for most of its operations, although there should be further reports on the performance of the validation team, and compliance with the Government's performance targets on appeals.

- 7.3 The validation process has been streamlined through use of a validation checklist and a detailed geographic information system (GIS) which allows staff to identify neighbours and consultees based on the location of the site. However, the review of the validation process identified a risk of inconsistency in how applications are validated, which may have a knock-on effect on whether applications are assessed in a fair and consistent way. The validation checklist does not include the local validation list requirements imposed by the Council and not all staff were aware of what the local validation lists required.
- 7.4 The assessment process reflects areas of best practice, including an aim to allocate staff to assess planning applications consistent with the lifetime of the site. This helps to drive consistency of assessments when an applicant may submit multiple, revised applications over time. However, the Council has not properly retained internal authorisations to support time extensions and while there is an audit trail of the mandatory agreement with the applicant or agent, there was no evidence of the internal sign-off, which is required before activating an extension on Acolaid. This prevents the Council from being able to ensure that this process, which is highly restricted, is appropriately used.
- 7.5 The review also identified some data quality issues with respect to appeals. Whilst appeals are heard by the Planning Inspectorate, the Council has to make returns by specified deadlines in order to be to be successful. There were a number of occasions that this information was not recorded, preventing use of the workflow module in Acolaid. There were also occasions

where the decision was incorrectly recorded or conditions were omitted, which results in internal reporting being inaccurate.

**Audit Opinion: Reasonable/Limited Assurance – A number of low to medium risk recommendations have been made and we will be reviewing progress in the second half of the year**

#### 7.6 **Vehicle Management**

We have continued to work on fleet management with the aim of identifying efficiencies and savings as the fleet costs approximately £3 million per annum. Given the financial and environmental pressure on the Council we need to maximise the use of our fleet. Further work is being done on:

- Defining the level of service that is required within individual services
- Identifying the number of vehicles to deliver that service
- Identifying and resolving duplication within and between services
- Looking at better route planning and zoning which would deliver efficiency savings and reduce fuel costs

**Audit Opinion - Reasonable Assurance – This will be included in our efficiency review programme**

#### 8 **Work in Progress**

8.1 The following reviews have been started or are in draft

- GDPR - progress review
- S106 Funding
- ICT Project Management.
- Fraud awareness Part 1
- Payroll
- Debtors
- Creditors
- Parking
- Review of Penalty Charge Notices
- VFM of Lease and Essential Car Allowances
- Taxi Licensing - compliance on fee setting

#### 9 **Governance, Corporate and Projects**

##### 9.1 **Ombudsman**

It is difficult to plan for Local Government Ombudsman (LGO) complaints or know how much audit will be involved. Some complaints are more complex than others and we work with the services prior to making a response to the LGO. While it may not be traditional audit work and in some cases, they can be time-consuming and can result in a mini audit. They are, however, a valuable insight into areas of emerging

risk which we then build into the audit plan. The LGO decisions for the period are shown below:

Decision Date	GBC File Ref. No.	Complaint Category	Finding
26.04.18	AJ-18-0001	Benefits and Tax	Closed after initial enquiries – no further action
16.05.18	AJ-17-0010	Housing	Not upheld: no maladministration
26.04.18	AJ-18-0001	Benefits and Tax	Withdrawn
27.09.18	AJ-18-0002	Planning & Development	Upheld: maladministration & Injustice
03.07.18	AJ-18-0004	Planning & Development	Not upheld: no maladministration
24.05.18	AJ-18-0005	Planning & Development	Closed after initial enquiries – out of jurisdiction
14.06.18	AJ-18-0006	Benefits & Tax	Closed after initial enquiries – no further action
09.07.18	AJ-18-0007	Environmental Services & Public Protection & Regulation	Premature
02.10.18	AJ-18-0007	Environmental Services	Closed after initial enquiries - no further action
27.07.18	AJ-18-0008	Planning & Development	Premature
24.08.18	AJ-18-0009	Planning & Development	Closed after initial enquiries - no further action
29.08.18	AJ-18-0010	Housing	Closed after initial enquiries - out of jurisdiction
28.08.18	AJ-17-0013	Planning & Development	Not upheld: no maladministration
29.08.18	AJ-18-0011	Planning & Development	Closed after initial enquiries - out of jurisdiction

## 9.2 Complaints

There were 223 service complaints in the period April to September 2018. The table below sets out the number per service.

Number	Service
73	Cleansing and Recycling
46	Neighbourhood and Housing Management
26	Parking
16	Council Tax
14	Planning Services
13	Health and Community Care Services
10	Benefits

6	Housing Advice Services
6	Parks & Countryside
3	Bereavement Services
3	Customer Service Centre
3	Legal Services
2	Democratic Services
1	Leisure Services
1	Heritage and Culture
223	

9.3 The outcome from these complaints is as follows:

- Upheld – 55 (25%)
- Partially Upheld – 56 (25%)
- Not Upheld – 112 (50%)

## 10. Service Reviews

10.1 Over the last year, Internal Audit has worked with managers on a number of 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. We have been working on a number of reviews including:

- Bereavement Services
- Human Resources
- Operational Services
- Parking
- Customer Service Centre

10.2 These reviews look at all the business processes, structures and synergies to deliver more streamlined efficient and effective services. The reviews are in various stages and will inform any future re-structures.

## 11 Conclusion

11.1 The last six months have been a period of change as we are making greater use of our external contractor rather than relying on internal resources. It has worked well so far and the feedback has been fairly positive. The audit focus is changing as the Council is seeking to become more entrepreneurial and the challenge for the team is to balance the requirement for robust governance and control and helping to deliver the Council's ambitious change agenda.

**12 Financial Implications**

12.1 There are no financial implications.

**13 Legal Implications**

13.1 The Local Government Act 1972 (S151) requires that a local council “shall make arrangements for the proper administration of their financial affairs”. The 1972 Act is supported by the Accounts and Audit Regulations 2011, which state, “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”. The internal audit plan is necessary to satisfy these legal obligations.

**14 Human Resources**

14.1 There are no Human Resource implications.

**15. Background Papers**

None

**16. Appendices**

None