



TO THE CHAIRMAN AND MEMBERS OF THE **STANDARDS AND AUDIT COMMITTEE**

You are hereby summoned to attend a meeting of the Standards and Audit Committee to be held on Thursday, 7 July 2022 at 7.00 pm in the Council Chamber, Civic Offices, Gloucester Square, Woking, Surrey GU21 6YL.

The agenda for the meeting is set out below.

JULIE FISHER
Chief Executive

NOTE: Filming Council Meetings

Please note the meeting will be filmed and will be broadcast live and subsequently as an archive on the Council's website (www.woking.gov.uk). The images and sound recording will also be used for training purposes within the Council. Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed.

AGENDA

PART I - PRESS AND PUBLIC PRESENT

1. Minutes

To approve the minutes of the three meetings of the Standards and Audit Committee held on 3 March, 27 April (informal meeting), and 23 May 2022 as published.

2. Apologies for Absence

To receive any apologies for absence.

3. Declarations of Interest (Pages 5 - 6)

- (i) To receive declarations of interest from Members and Officers in respect of any item to be considered at the meeting.
- (ii) In accordance with the Officer Employment Procedure Rules, the Director of Legal and Democratic Services, Joanne McIntosh, declares a disclosable personal interest (non-pecuniary) interest in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mrs McIntosh may advise the Committee on those items.
- (iii) In accordance with the Officer Procedure Rules, the Finance Director, Leigh Clarke, declares a disclosable personal interest (pecuniary) in any items including reference to Woking Football Club, arising from her husband holding a small shareholding in the Club. The interests are such that Mrs Clarke may advise the Committee on those

items.

4. Urgent Business

To consider any business that the Chairman rules may be dealt with under Section 100B(4) of the Local Government Act 1972.

Matters for Determination

5. Update on External Audit STA22-011 (Pages 7 - 18)

Reporting Person – Steve Bladen (BDO) / Leigh Clarke

6. 121 Chertsey Road - Audit Outcome STA22-005 (Pages 19 - 26)

Reporting Person – Louise Strongitharm

7. Internal Audit Annual Report 2021-22 STA22-009 (Pages 27 - 40)

Reporting Person – Graham Clarke / Juan Fosco (Mazars)

8. Registration of Interests for Members Elected in May 2022 STA22-008 (Pages 41 - 42)

Reporting Person – Joanne McIntosh

9. Standards and Audit Committee - Work Programme STA22-006 (Pages 43 - 46)

Reporting Person – Joanne McIntosh

AGENDA ENDS

Date Published - 29 June 2022

For further information regarding this agenda and arrangements for the meeting, please contact Doug Davern on 01483 743018 or email doug.davern@woking.gov.uk



Mixed Sources

Product group from well-managed forests and other controlled sources

www.fsc.org Cert no. SA-COC-001794
© 1996 Forest Stewardship Council

Schedule Referred to in Declaration of Interests

Council-appointed directorships

Joanne McIntosh, Director of Legal and Democratic Services

Thamesway Limited

Thamesway Developments Limited

Thamesway Housing Limited

Thamesway Guest Houses Limited

STANDARDS AND AUDIT COMMITTEE – 7 JULY 2022

UPDATE ON EXTERNAL AUDIT

Executive Summary

Attached is an update on the External Audit received from the Council's External Auditor, BDO.

Recommendations

The Committee is requested to:

RESOLVE That the update be received.

The Committee has the authority to determine the recommendation(s) set out above.

| | |
|---------------------------|--|
| Background Papers: | None. |
| Reporting Person: | Leigh Clarke, Director of Finance Email: leigh.clarke@woking.gov.uk, Extn: 3277 |
| Contact Person: | Leigh Clarke, Director of Finance Email: leigh.clarke@woking.gov.uk, Extn: 3277 |
| Date Published: | 29 June 2022 |

STA22-011



Report to the Standards and Audit Committee
WOKING BOROUGH COUNCIL

Audit Progress: year ended 31 March 2020

7 July 2022

Page 7

IDEAS | PEOPLE | TRUST



Overview

The purpose of this report is to give the Standards and Audit Committee

- An update on the progress of our audit for the year ended 31 March 2020 in the context of the wider public sector (pages 2 - 6)
- An outline of the specific factors within the public sector audit market that have contributed to the delays experienced in the completing our audit of Woking Borough Council. This includes a summary of the national position across all suppliers on unfinished audits.

Audit progress

The 2020 audit has been challenging to deliver and is not yet complete. The Council's financial statements contain a number of significant accounting estimates requiring management judgement, all of which require more detailed consideration in light of revised auditing standards and regulator focus, resulting in the need for more resource and specialist resource. Specific examples relevant to our audit of the Council include property valuations (impacting on both the Council and its subsidiaries), pension liabilities, the recoverability of loans and other debts, and PFI liabilities. These factors, together with those outlined on page 7 of this report have contributed to the delay in completion of our audit, in addition to the longer-term impacts of Covid-19 and remote working.

Notwithstanding this, we have worked with the Council's finance team to make progress on most areas of the financial statements. This work is now subject to our internal review processes. Details of these are provided at Appendix 1 of our report on page 8. There are, however, a number of areas in which our audit remains in progress, and our audit is not yet sufficiently progressed to enable us to present our Audit Completion Report. The following pages provide further details of the work currently outstanding.

At the conclusion of our audit we will issue an Audit Completion Report to the Standards and Audit Committee. This will set out the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements. Based on the work we have completed to date we have no significant matters to bring to your attention

In the meantime if you would like to discuss any aspects of our report in advance of, or subsequent to, the Standards and Audit Committee meeting we would be happy to do so.

Steve Bladen

28 June 2022





Group Consolidation

The Council's group financial statements consolidate a large number of subsidiary entities with intra-group transactions and balances requiring elimination. The Council's subsidiaries were subject to statutory audit by Hamlyn's LLP, and the audit for the year ended 31 December 2019 was completed in October 2021. The Council provided us with group accounts in December 2021.

As Group auditor we are required to design an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion, including the Council as parent entity and its subsidiaries. At the planning stage of our audit we identified a number of risks around the Council's group financial statements, including:

- The risk that due to the complexity and number of subsidiaries that there may be errors in the consolidation process and/or failure to eliminate intra-group transactions and balances.
- The subsidiary entities produce audited accounts to 31 December and there is a risk that material transactions for the remaining 3 months up to the Group year end of 31 March not be reported or valuations may be materially different.
- The subsidiary entities prepare financial statements under UK GAAP (FRS 102) rather than IFRSs and transactions and balances may require adjustment in the Group financial statements where accounting policies differ under IFRS based reporting standards.

We have undertaken an initial review of audit working papers in respect of those entities. However, this work is not yet complete, and a further review is required in order to conclude this work.



Minimum Revenue Provision (MRP) Policy

At the conclusion of our 2018/19 audit, we raised in our Audit Completion Report an issue around the Council's MRP policy and the fact that it does not set aside any charge against the borrowing obtained to fund the loans to subsidiaries and the Victoria Square Ltd associate. The MRP strategy notes that the Council's borrowing is repaid on a back-to-back basis against loan repayments from these entities and that the business models would result in full repayment of the loans over the next 50 years.

The Government and CIPFA have become concerned that local authorities are not putting aside sufficient resources to repay loans and MHCLG issued amended regulations for calculating a 'prudent' MRP charge for any new borrowing and investments from 1 April 2019. This is likely to increase the annual MRP charge for local authorities. While the regulations allow previous MRP policies to continue for historic borrowing, Government has advised that local authorities should revisit their existing MRP policies against the new guidance, particularly for investments where no MRP is currently being charged. Under the revised guidance a higher MRP would have been charged on some historic borrowing. Government is of the view that local authorities should be building up a 'buffer' against potential losses by setting aside an MRP charge even on investments where there is an expectation that the loans will be fully repaid by the investee from future profits or asset sales.

We recommended that the Council reviews its existing MRP policy to confirm that it is compliant with the new guidance for investments supported by borrowing from 1 April 2019. We also recommended that for pre-April 2019 investments, the Council closely monitor the business plans of its subsidiaries to confirm that the loans will be fully repaid. If it considered the loans will not be repaid it would be appropriate to commence making an MRP charge against that borrowing.

We have also received an objection from a member of the public alleging that the Council's MRP policy is unlawful.

In testing the Council's MRP charge, we will undertake the following work:

- Assess whether the Council's MRP policy complies with relevant guidance. We requested that the Council seek legal advice on this matter. This was provided to us in late April 2022. We are currently in the process of considering that advice.
- Assess whether the Council's policy is sufficiently prudent. Again, this work remains in progress.

As part of our work in this area, we will consider the matters raised by the objector and, following the conclusion of our work, we will write to the objector setting out our findings.

Recoverability of loans to subsidiaries and associate

At 31 March 2020, the Council's borrowing was £732 million. This has increased significantly in recent years, and currently stands in excess of £1.8bn, the third highest for any Council in the UK in absolute terms and the highest of any Council per head of population. Approximately £1.1bn of this has been for loans to wholly owned subsidiaries/joint ventures that provide housing; regeneration and sustainable energy in the borough.

The Council's ability to recover these loans will depend on those subsidiary entities and associate generating sufficient profits to repay this debt.

To test the recoverability of these loans we will assess whether management's assumptions appropriately reflect the recoverability of these loans, given current economic conditions and the performance of those subsidiaries. This work remains in progress.





User of Resources

Alongside our work on the Council's financial statements, we are required to satisfy ourselves that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (our value for money conclusion). Within our audit planning report we identified significant risks in relation to:

- **Sustainable finances.** The ongoing financial environment for local authorities is challenging, and the Council will need to deliver savings and achieve income targets to maintain financial sustainability in the medium term. There is a risk that these will not be met. Our work to address this risk remains in progress, but specifically will consider the following
 - The reasonableness of the assumptions used in the Medium Term Financial Strategy
 - The delivery of the budgeted savings in 2019/20, and the Council's strategy to close budget gaps in future years;
 - The impact of the Council's significant capital programme on the budget, the adequacy of the Council's risk management plans in the event of delays to revenue generating projects, and impact on borrowing and MRP charges.
- **Decision making processes in relation to significant projects.** The Council continue to work on a number of schemes that are significant in terms of its strategic, operational and financial priorities. We will assess the Council's governance arrangements over major projects. This work remains in progress.



Audit Sector developments

The sector has seen a number of pressures arising since the faster close agenda brought the reporting deadline forward for the 31 March 2019 period to 31 July 2019. Recruitment and retention of staff with suitable public sector experience has become increasingly challenging on a national level. Added to this the increased scope of audit work, increased complexity in public sector accounts and extensive regulatory requirements have continued to add to this pressure sector wide. It has been widely recognised that the audit sector, and public sector audit specifically, requires reform to enable it to remain sustainable. The Redmond review specifically focuses on recommendations to help achieve this in the longer term.

Alongside these already present pressures, a global pandemic manifested additional impacts and pressure. New challenges of remote working, onboarding and training new staff remotely, communication, IT support and illness within the team directly impacting efficiency and delivery.

We have set out below the current position on audit completions nationally.

2018/19

Only 60% of local government bodies were able to publish audited accounts by the deadline of 31 July 2019. By exception, there remain a small number of 2018/19 audits outstanding to date (13 bodies, representing 3% of bodies). We issued our auditor's report on the Council's 2018/19 financial statements in November 2020.

2019/20

The publication deadline for years ending 31 March 2020, initially pushed back to end September 2020 from July 2020, was then further extended to 30 November 2020. However, only 45% of local government bodies were able to publish audited accounts by this extended deadline, with even authorities which traditionally have been completed in advance of the deadline close to or at the deadline date.

As at 31 March 2022 opinions were outstanding for **51** bodies (**11%**). This figure includes Woking Borough Council.

2020/21

The 31 March 2021 publication deadline was set at end September 2021. Audit firms and audit regulation bodies did feedback that this was not realistically achievable. Only 9% of 2021 audits were completed by 30 September 2021, with 20% by 30 November 2021 and 40% by 31 December 2021. By 31 March 2022 the figure had risen to **52%**.

The current position has been exacerbated by concerns about the valuation of infrastructure assets. CIPFA has established an urgent task and finish group to consider the issue and propose a resolution.

Our audit of the Council's 2020/21 accounts will commence shortly after completion of our 2019/20 audit.

APPENDIX 1: PROGRESS

Work substantially completed

Work on the following areas of the financial statements is now substantially complete and are now subject to our internal review processes.

- ▶ Investments
- ▶ Accrued interest on receivables and interest income received
- ▶ Sample testing of credit notes
- ▶ Borrowings
- ▶ Grant receipts in advance
- ▶ VAT review
- ▶ Pensions liability
- ▶ Cut off testing across income and expenditure
- ▶ Recharges and overheads
- ▶ Grant Income received
- ▶ Testing on a sample of other income and expenditure items not tested elsewhere
- ▶ Journals
- ▶ Related party transactions
- ▶ Cash & bank reconciliation
- ▶ Capital commitments
- ▶ Asset existence
- ▶ Depreciation
- ▶ Assets transferred
- ▶ Operating leases
- ▶ Asset disclosure notes
- ▶ Asset disposals
- ▶ Assets under construction
- ▶ Expenditure completeness
- ▶ Interest payments
- ▶ Housing benefits expenditure
- ▶ Payroll
- ▶ Housing Revenue Account (including income and expenditure testing, system reconciliations, disclosures in the accounts)
- ▶ Cash flows statement
- ▶ Review of minutes
- ▶ Repairs and maintenance
- ▶ REFCUS
- ▶ Income completeness

FOR MORE INFORMATION:

STEVE BLADEN

t: +44 (0)20 3860 6563
m: +44 (0)7870 514535
e: steve.bladen@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

©2021 BDO LLP. All rights reserved.

www.bdo.co.uk

STANDARDS AND AUDIT COMMITTEE – 7 JULY 2022

121 CHERTSEY ROAD – AUDIT OUTCOME

Executive Summary

121 Chertsey is a block of 25 studio flats converted for use as move-on accommodation for rough sleepers and those at risk of rough sleeping. The acquisition of 121 Chertsey Road in 2021 allowed Woking Borough Council to secure the property for long-term move-on accommodation and have full control over the running of the scheme. The flats are offered at an Affordable Rent with one flat used for an on-site support worker. Acquisition of the block was made possible through securing the capital grant from the Homes England Next Steps Accommodation Programme.

Woking Borough Council received £3,125,000 in capital grant funding from Homes England, contributing just under 47% of the total £6,692,664 purchase price. This grant was awarded in March 2021.

Homes England undertake an annual Compliance Audit programme to provide assurance that organisations receiving grant have met Homes England requirements and funding conditions and have properly exercised their responsibilities as set out in the Capital Funding Guide. Woking Borough Council, specifically 121 Chertsey Road, was selected for audit as part of the 2021-22 Compliance Audit Programme.

The Homes England Compliance Audit report awarded a green grading, meaning that the scheme meets all requirements and no breaches were identified.

Recommendations

The Committee is requested to:

RESOLVE that

- (i) the Homes England Audit Report, as attached to the report, be accepted; and
- (ii) the Strategic Housing and Development Manager be authorised to officially sign off the report with Homes England.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

Reporting Person: Louise Strongitharm, Director of Housing
Email: louise.strongitharm@woking.gov.uk, Extn: 3599

Contact Person: Jon Herbert, Strategic Housing and Development Manager
Email: jon.herbert@woking.gov.uk, Extn: 3546

Portfolio Holder: Councillor Ian Johnson
Email: cilrian.johnson@woking.gov.uk

Shadow Portfolio Holder: Councillor Steve Dorsett
Email: cilrsteve.dorsett@woking.gov.uk

Date Published: 29 June 2022

1.0 Introduction

- 1.1 Woking Borough Council, specifically 121 Chertsey Road, was selected for audit as part of the Homes England 2021-22 Compliance Audit Programme.
- 1.2 The audit sought to ensure that Woking Borough Council had met the requirements and responsibilities for grant recipients, as laid out in the Homes England Capital Funding Guide.
- 1.3 Woking Borough Council received £3,125,000 in capital grant funding from the Homes England Next Steps Accommodation Programme in March 2021.
- 1.4 Woking Borough Council acquired 121 Chertsey Road in March 2021, at the time a newly converted block of 25 studio flats, for use as move-on accommodation for rough sleepers and those at risk of rough sleeping.
- 1.5 Acquisition allowed the Council to secure the property for long-term move-on accommodation and have full control over the running of the scheme.
- 1.6 The flats have been offered at an Affordable Rent, with one flat used for on-site support workers.
- 1.7 The capital grant funding through the Homes England Next Steps Accommodation Programme enabled delivery of this scheme to happen.

2.0 Audit process

- 2.1 The audit was carried out from 18th August 2021, with final document submissions on 6th October 2021.
- 2.2 Mazars LLP UK were appointed by Woking Borough Council to act as an independent auditor.
- 2.3 Woking Borough Council's Strategic Housing and Development Team worked closely with Mazars LLP UK, providing all documents and information as listed in the Homes England Capital Funding Guide.
- 2.4 Mazars LLP UK were required to submit their findings via the Homes England online audit portal 5 weeks from the audit start date.
- 2.5 Woking Borough Council had a 10-day window from the submission of the auditor's findings to review all independent auditor findings and comment if there was additional information to raise.
- 2.6 Woking Borough Council were informed of the audit report recommendation on 17th January 2022.

3.0 Audit outcome

- 3.1 On review of the evidence provided, Homes England determined that Woking Borough Council has complied with all the programme requirements and guidance.
- 3.2 A green grade was assigned with no breaches being identified.
- 3.3 There were no recommendations contained within the audit report.

4.0 Corporate Strategy

- 4.1 Improving the health and wellbeing of all residents - housing plays an important role in the health, social, environmental and economic wellbeing of everyone who lives in the borough. Good quality, decent and affordable homes contribute significantly to health and wellbeing. Delivering 121 Chertsey Road focuses on delivering suitable housing for residents that is truly affordable and meets local needs.

Strategic Priority 3 of the Housing Strategy focusses on the provision of good quality housing support services that promote independence. This is key to the Council's preventative strategies to enable vulnerable people to live successfully and independently in the community. Woking Borough Council's focus is on supporting customers not just to resolve their housing issues, but also encouraging them to improve their health and wellbeing.

- 4.2 Reducing Social Inequality - acquiring 121 Chertsey Road has enabled to tackle homelessness and its root causes (also Strategic Priority 2 of the Housing Strategy).

Woking Borough Council to Woking has an acute need for more affordable housing of all types, sizes and tenures and the demand for affordable housing far exceeds supply, with local people finding it increasingly difficult to afford to stay in the Borough. Successful homelessness prevention has been the main aim of Woking's Housing Options approach for many years and it will need to remain so with the added duties under the Homelessness Reduction Act 2017. The team use a range of other tools to prevent and address homelessness, including family mediation, home visits, negotiation with landlords, landlord incentives, prevention funding to help with rent arrears and floating support.

- 4.3 The Homes England 2021-22 Compliance Audit Programme for 121 Chertsey Road ensures that we are delivering in line with the grant agreements and, subsequently, all the above aspects of the Corporate Strategy.

5.0 Implications

Finance and Risk

- 5.1 There are no specific implications outlined in the report.

Equalities and Human Resources

- 5.2 There are no specific implications outlined in the report.

Legal

- 5.3 Woking Borough Council is required to acknowledge acceptance of the report via the England online audit portal

6.0 Engagement and Consultation

- 6.1 There are no specific implications outlined in the report.

REPORT ENDS



Compliance Audit Report – 2021/22

43UM – Woking Borough Council

| | |
|---|----------------------------|
| Final Grade | Green - Meets requirements |
| Independent Auditor Organisation | Mazars LLP |
| Independent Auditor Name | Rachael Wright |

Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided on page 2 of this document.

Further information is available at: <https://www.gov.uk/guidance/compliance-audit>.

Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be recorded in the IMS Compliance Audit System by your Compliance Audit Lead on behalf of your Board's Chair or equivalent. Online acknowledgement should be completed within three calendar months of the report email notification being sent.

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.



Compliance Audit Grade Definitions

| | |
|--------------------|--|
| Green Grade | No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report will show that the provider has a satisfactory overall performance but may identify areas where minor improvements are required. |
| Amber Grade | One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments. |
| Red Grade | One or more high level severity breaches identified, the Homes England audit report will show that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds. |

Compliance Audit Grade and Judgement

| | |
|--------------------------|---|
| Final Grade | Green - Meets requirements |
| Judgement Summary | On review of the evidence provided, the outcome of the audit has shown the provider has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified. |

Scheme/Completions details

| Scheme ID/ Completion ID | Address/Site ID | Scheme type |
|-------------------------------------|-----------------------------|--|
| 1023938 | 121 Chertsey Road, GU21 5BW | Next Steps Accommodation - Capital |



Audit Results

| | |
|--|---|
| Number of Schemes/Completions Audited | 1 |
| Number of Breaches Assigned | 0 |
| Number of High Severity Breaches | 0 |
| Number of Medium Severity Breaches | 0 |
| Number of Low Severity Breaches | 0 |

STANDARDS AND AUDIT COMMITTEE – 07 JULY 2022

INTERNAL AUDIT ANNUAL REPORT 2021/22

Executive Summary

This report contains the Head of Internal Audit (HOIA) annual assurance opinion on the control environment of Woking Council (Council) based on internal audit work undertaken during the 2021/22 financial year.

This opinion forms one of the key sources of assurances within the Council and used to inform the compilation of the Council's Annual Governance Statement, which is included in the Financial Statements. The Internal Audit function of the Council, incorporating the HOIA, is outsourced to Mazars LLP.

During 2021/22 the Covid-19 pandemic impacted the provision of internal audit services by having to undertake reviews remotely and through the use of remote tools such as screen-sharing functionalities. Also, some service areas within the Council could not accommodate scheduled audits in the latter stages of Q3 and some in Q4 due to staff becoming unavailable at short notice.

During the year, we have consulted CLT and informed the Committee about changes to the audit plan to consider the impact of Covid-19 on the deferral of audit work.

These arrangements, including working remotely with new functionalities (such as screen-sharing), were not considered to have a material impact on our ability to provide an annual opinion.

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Recommendations

The Committee is requested to:

RESOLVE That

(i) the annual assurance opinion of the Head of Internal Audit over the control environment be noted.

The Committee has the authority to determine the above recommendations.

Background Papers: None.

Reporting Person(s): Graeme Clarke, Partner, Mazars LLP
E-mail: graeme.clarke@mazars.co.uk

Juan Fosco, Manager, Mazars LLP
E-mail: juan.fosco@mazars.co.uk

Contact Person: Leigh Clarke, Finance Director
Ext. 3277, E-Mail: leigh.clarke@woking.gov.uk

Implications

Financial and Risk

There may be minimal financial implications regarding implementing internal audit recommendations depending on the nature of the area and recommendations made. However, any such implications are considered by Management as part of the consideration of the recommendations raised. Some audit recommendations are also designed to improve value for money and financial control.

Internal Audit identifies weaknesses in the control environment. Therefore, the implementation of recommendations improves the control environment and hence the management of risk.

Human Resources and Equalities

Some audit recommendations need officer resources to put in place. There is minimal impact on equalities issues.

Legal

The professional responsibilities of internal auditors are set out within UK Public Sector Internal Audit Standards (PSIAS).

Woking Borough Council

Internal Audit Annual Report 2021/22

Prepared by: Mazars LLP

Date: June 2022

Page 27



Contents

Page 28

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Woking Borough Council (WBC) and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of WBC and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.

- 01 Introduction
- 02 Audit Opinion
- 03 Internal Audit Work Undertaken in 2021/22
- 04 Benchmarking
- 05 Performance of Internal Audit

Appendices

A1 Outstanding High Priority Recommendations

A2 Definitions of Assurance

01 Introduction

Internal Audit services to Woking Borough Council (Council) are provided by Mazars LLP through the APEX framework with Croydon Council.

The purpose of internal audit is to provide the Council, through the Standards and Audit Committee (Committee) and the Finance Director (as the Chief Finance Officer), with an independent and objective opinion on risk management, control and governance and their effectiveness.

This Annual Report covers the internal audit work we have undertaken in respect of the 2021/22 Plan and incorporates our internal audit opinion. It forms part of the framework of assurances received by the Council. It should be used to help inform the Annual Governance Statement within the Financial Statements. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance, and control.

Our professional responsibilities as internal auditors are set out within UK Public Sector Internal Audit Standards (PSIAS).

Performance against the Internal Audit Plan

Our 2021/22 Plan was considered and approved by the Committee on 4 March 2021. The Plan was for 321 days, including 30 days for IT audits and 24 days for the Head of Internal Audit role. The audits in the Plan comprised a mixture of key financial systems, service-specific (operational and financial), corporate-wide, and IT reviews.

As reported in our most recent Progress Report presented to the Committee in March 2022, there were five audits deferred from the 2021/22 Plan to the 2022/23 activity for various reasons detailed in our previous progress reports.

However, there were two instances where we replaced the days associated with the deferred audits with new work. The days allocated to the Office365 review were utilised to conduct a piece of work regarding an air conditioning incident at the Council's data centre (located in Export House, Woking) on 7 October 2021. Also, the Victoria Square audit was replaced by the HIF Project review that was reported in November 2021.

With the exception of the above, all other audits in the Plan were delivered.

A summary of the reports we have issued is included in Section 03 of this Report.

The appendix A2 describes the levels of assurance we have provided in assessing the control environment and effectiveness of controls and the classification of our recommendations.



Acknowledgements

We are grateful to the Finance Director, Council's Directors, and other staff throughout the Council as well as the Committee for the assistance provided during the year.

Sampling methodology

As part of our auditing methodology we use a range of sampling techniques to provide a robust basis for our audit opinions. Where possible we favour conducting whole data set testing using data analytics software such as IDEA. Where this is not possible or practical, we look to conduct sampling through use of random number generators, stratified or systematic sampling as appropriate to ensure that our findings are both representative and relevant. Sample sizes are driven by the level of assurance being provided and where not dictated as part of the audit scope are at the discretion of the internal auditor in conjunction with the Engagement Manager.

02 Audit Opinion

Remote Working

With the exception of the work undertaken at Export House related to the air conditioning incident, audits were completed remotely, with walkthroughs and client interviews held virtually and all evidence being requested and provided digitally. The annual internal audit opinion provided below reflects the audit plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can only ever be reasonable, not absolute.

Our opinion

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is **Moderate** in its overall adequacy and effectiveness. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

While there are some areas of activity where the expected levels of control have not been fully achieved, actions have been taken or are in progress in response to internal audit recommendations made.

Impact of Covid-19 on internal audit work during the year

During 2021/22 the Covid-19 pandemic shifted the approach to delivering internal audit services by having to undertake reviews remotely and through the use of remote tools such as screen-sharing functionalities. Also, some service areas within the Council could not accommodate scheduled audits in the latter stages of Q3 and some in Q4 due to staff becoming unavailable at short notice. Whilst we were able to complete our work, we did encounter challenges during Q4 mostly due to resources becoming unavailable at short notice due to the impact of the Omicron variant on Council and Mazars staff.

During the year, we have consulted Corporate Leadership Team (CLT) and informed the Committee about changes to the audit plan to consider the impact of Covid-19 on the deferral of audit work including the DFG and Careline reviews.

Reliance Placed on Third Parties

Internal audit has not placed any reliance on third parties in order to assess the controls operated by the Council. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

Scope of Opinion

In giving our annual audit opinion, it should be noted that assurance can never be absolute. The internal audit service can provide to the Council a reasonable assurance that there are no major weaknesses in risk management, governance, and control processes.

The matters raised in this report are only those that came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that may be required. In arriving at our opinion, we have taken the following matters into account:

- The impact on the Plan as a result of Covid-19;
- The results of all internal audits undertaken as part of the Plan;
- The results of follow up action in respect of previous internal audits;
- Whether or not any High or Medium recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Committee;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the entire internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

Follow Up

Internal audit recommendations are categorised according to priority (High, Medium, and Low). We request updates from management to monitor the status of implementation. This is supplemented by spot checks in the business area concerned to confirm that the recommendation is being implemented in practice. In addition, a procedure is in place to escalate recommendations that have not been implemented to the CLT and finally to this Committee where necessary. At the time of drafting this report, two high priority recommendations from prior years are outstanding. Relevant Officers assigned to implement outstanding recommendations were reminded to update the Action Management System with progress on implementing these. Further detail of outstanding high-priority recommendations is included in Appendix A1 of this report.

03 Internal Audit Work Undertaken in 2021/22

The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports issued to the Service and the Summary Reports shared with Members.

We undertook ten audit reviews in which an assurance rating was provided, covering a number of important control systems, processes, and risks and a review of implementation of recommendations from prior years. We have completed an advisory review concerning the Overview and Scrutiny Committee's resources and a compliance review as part of the Key Financial Systems review. The results of this work are summarised below:

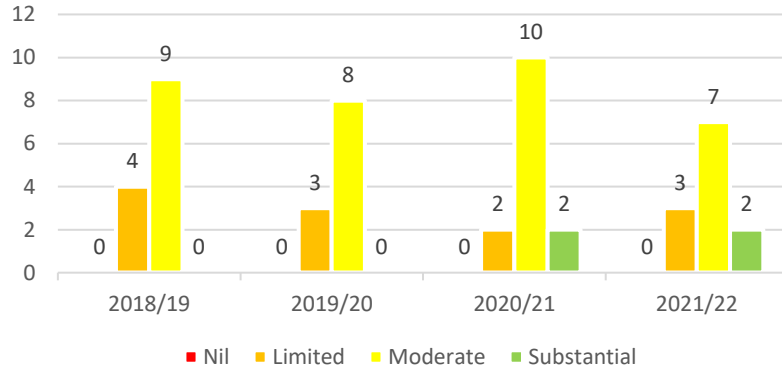
| Audit area | Assurance level | Recommendations | | | |
|--|-------------------|-----------------|-----------|-----------|-----------|
| | | High | Medium | Low | Total |
| Insurance | Limited | - | 6 | 2 | 8 |
| OSC Resources Review | N/A – Advisory | - | - | - | - |
| Homesafe Plus | Moderate | - | 1 | 1 | 2 |
| Housing Benefits | Substantial | - | - | 1 | 1 |
| HIF Project Assurance (Replaced Victoria Square) | Limited | 2 | 2 | - | 4 |
| Building Control | Moderate | - | 2 | 2 | 4 |
| Taxi Licensing | Moderate | - | 2 | 1 | 3 |
| Green Jump Surrey (Thamesway) | Moderate | - | 2 | 1 | 3 |
| Air Pollution | Substantial | - | 1 | - | 1 |
| Key Financial Systems | N/A - Advisory | - | 1 | 5 | 6 |
| Capital Programme | Moderate* | - | 3 | - | 3 |
| Temporary Accommodation | Moderate* | - | 6 | - | 6 |
| Private Water Supply | Cancelled | - | - | - | - |
| Careline | Deferred to 22/23 | - | - | - | - |
| Thamesway Debt Recovery | Deferred to 22/23 | - | - | - | - |
| Disabled Facilities Grant (DFG) | Deferred to 22/23 | - | - | - | - |
| Business Planning | Deferred to 22/23 | - | - | - | - |
| Corporate Debt Recovery | Deferred to 22/23 | - | - | - | - |
| Data Centre Incident (Replaced Office 365) | Moderate | - | 4 | 4 | 8 |
| Cyber Security* | Limited | - | 8 | 1 | 9 |
| Total | | 2 | 38 | 18 | 58 |

*Draft Report - Further detail on the implementation of recommendations is provided at **Appendix A1**.

04 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at WBC.

Assurance Opinions Since 2018/19

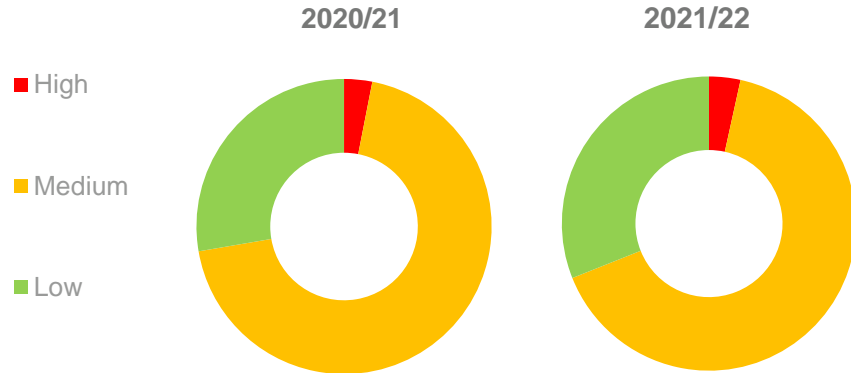


This chart below shows the distribution of assurance over the past four years. Overall, levels have largely remained consistent over this time. There is no particular link between the issues identified within the three Limited Assurance reports.

The three limited assurance reports were related to the Insurance, HIF Project and Cyber Security reviews.

The limited assurance reviews in 2020/21 were related to Empty Homes and Private Sector Leasing and are unrelated to those areas subject to this assurance in 2021/22.

Comparison of Recommendation Gradings



During 2021/22, we have made a total of 58 new recommendations. Two were High Priority, 38 Medium Priority, and 18 categorised as Low Priority. Compared to 2020/21, the total number of recommendations decreased (65 recommendations made in 2020/21). However, there were two more assurance opinions given in 2020/21.

The distribution of priorities has not varied significantly. There were no changes in the number of High and Low Priority recommendations raised in 2021/22. However, there was decrease in Medium Priority recommendations (45 raised in 2020/21).

The two High Priority recommendations relate to the HIF Project review undertaken on request of the Overview and Scrutiny Committee. The Temporary Accommodation, Cyber Security and Insurance reports represent 52% of the Medium recommendations raised in the year.

05 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

Compliance with Professional Standards

We employed a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

Our work performed conforms to PSIAS which includes the Core Principles for the Professional Practice of Internal Auditing and Code of Ethics.



Independence and Objectivity

There have been no impairments to independence and objectivity during the year covered by this Annual Report.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Committee. Whilst we were able to complete our work, we did encounter challenges during Q4 mostly due to resources becoming unavailable at short notice due to the impact of the Omicron variant on Council and Mazars staff. During the year, we have consulted CLT and informed the Committee about changes to the audit plan to consider the impact of Covid-19 on the deferral of audit work including the DFG and Careline reviews.

Regular planned discussions on progress against the Plan have taken place with the Finance Director and the Committee, from which we have received positive feedback across the year covered by this Annual Report.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Appendices

A1 Implementation of Recommendations
A2 Definitions of Assurance

Page 34



A1 Outstanding High Priority Recommendations

| Counter Fraud | | |
|--|--|---|
| Recommendation | Management Response | Timescale and Responsibility |
| <p>A fraud risk assessment should be undertaken so as to provide a basis for prioritising counter fraud activity.</p> <p>The Council should use published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposure. This information should be used to evaluate the harm to the aims and objectives of the Council that different fraud risks may cause.</p> <p>The risk assessment should be reviewed periodically (at least annually) and reported to CMG.</p> | <p>Agreed. A Fraud risk assessment will be completed to inform future counter fraud work.</p> <p>February 2022: The Reigate/Oxford Counter Fraud team are due to start working with the Council in the new financial year. There will be an initial focus on analysis of data within Housing alongside the risk assessment, strategy, and training.</p> <p>June 2022: An initial meeting has been held with the housing team where initial focus will be, however the detailed work has not yet started.</p> | <p>Director of Finance</p> <p>Revised timescale: 31 December 2022</p> |
| <p>A Counter Fraud and Corruption Strategy should be developed to address the fraud risks identified.</p> <p>The strategy should include a mixture of both proactive and reactive approaches that are best suited to addressing the Council's fraud and corruption risks. Proactive and reactive components of a good practice response to fraud risk can be found in CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.</p> <p>The Strategy should include clear identification of responsibility and accountability for delivery of tasks within the strategy, and also for providing oversight.</p> | <p>February 2022: The Reigate/Oxford Counter Fraud team are due to start working with the Council in the new financial year. There will be an initial focus on analysis of data within Housing alongside the risk assessment, strategy and training.</p> <p>June 2022: An initial meeting has been held with the housing team where initial focus will be, however the detailed work has not yet started</p> | <p>Director of Finance</p> <p>Revised timescale: 31 December 2022</p> |

A2 Definitions of Assurance

Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

| Level | Description |
|----------------|--|
| Substantial | The framework of governance, risk management and control is adequate and effective. |
| Moderate | Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. |
| Limited | There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. |
| Unsatisfactory | There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail. |

Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows:

| Priority | Description |
|----------|--|
| High | Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk. |
| Medium | Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk. |
| Low | Scope for improvement in governance, risk management and control. |

Annual Opinion

For annual opinions we use the following classifications within our audit reports:

| Opinion | Definition |
|----------------|--|
| Substantial | The framework of governance, risk management and control are adequate and effective. |
| Moderate | Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. |
| Limited | There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. |
| Unsatisfactory | There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail. |

Contacts

Graeme Clarke

Partner, Mazars

graeme.clarke@mazars.co.uk

Juan Fosco

Manager, Mazars

juan.fosco@mazars.co.uk

We take responsibility to WBC for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London EC4M 7AU, United Kingdom. Registered in England and Wales No OC308299.



STANDARDS AND AUDIT COMMITTEE – 7 JULY 2022

REGISTRATION OF INTERESTS FOR MEMBERS ELECTED IN MAY 2022

Executive Summary

The Borough Council elections held on 5 May 2022 resulted in eight newly-elected Members, and the re-election of two existing Members.

Under the Members' Code of Conduct, the newly-elected Members (Councillors Akberali, Caulfield, Cosnahan, Graves, Jordan, Morley, Oades and Spenser) were required to register their interests, with the Monitoring Officer, within twenty-eight days of their election. This obligation was complied with.

Recommendations

The Committee is requested to:

RESOLVE That the registration of the interests of the Members newly-elected in May 2022 be noted.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

Reporting Person: Joanne McIntosh, Monitoring Officer/Director of Legal and Democratic Services
Email: joanne.mcintosh@woking.gov.uk, Extn: 3038

Contact Person: Joanne McIntosh, Monitoring Officer/Director of Legal and Democratic Services
Email: joanne.mcintosh@woking.gov.uk, Extn: 3038

Date Published: 29 June 2022

STA22-008

STANDARDS AND AUDIT COMMITTEE – 7 JULY 2022

STANDARDS AND AUDIT COMMITTEE - WORK PROGRAMME

Executive Summary

There are a number of business items which come before the Committee on an established and recurring basis. Most notably, the Internal Audit service and the external audit function both produce plans and reports for consideration throughout the year. These matters are, for the most part, planned with reporting dates fixed in advance. It is helpful to see these planned events listed together, and a provisional work programme is attached to this report.

Recommendations

The Committee is requested to:

RESOLVE That the Work Programme be received.

| |
|---|
| The Committee has the authority to determine the recommendation(s) set out above. |
|---|

Background Papers: None.

Reporting Person: Joanne McIntosh, Director of Legal and Democratic Services
Email: joanne.mcintosh@woking.gov.uk, Extn: 3038

Contact Person: Joanne McIntosh, Director of Legal and Democratic Services
Email: joanne.mcintosh@woking.gov.uk, Extn: 3038

Date Published: 29 June 2022

REPORT ENDS

STA22-006

Standards and Audit Committee – Work Programme

STANDARDS AND AUDIT COMMITTEE WORK PROGRAMME 2022-23

| Committee date | Report title | Issues to consider |
|-------------------|--|--|
| 7 July 2022 | Update on External Audit | To receive an update. |
| | 121 Chertsey Road – Audit Outcome | To receive the audit outcome from Homes England. |
| | Internal Audit Annual Report 2021/22 | Review of Internal Audit service work in 2021/22 (inc. outstanding high risk recommendations). |
| | Registration of Interests for Members Elected in May 2022 | To receive Registration of Interests for Members elected in May 2022. |
| | Work Programme | To receive the provisional Work Programme for the year ahead. |
| 15 September 2022 | Annual Audit and Inspection Letter | Summary of the key findings from the External Audit. |
| | Annual Governance Statement 2021/22 | To receive the Annual Governance Statement for inclusion in the 2021/22 Statement of Accounts. |
| | Internal Audit Service Progress Update | Progress update of work undertaken by the Internal Audit service. |
| | Health and Safety Annual Report | To receive the Health and Safety Annual Report. |
| | Members' Code of Conduct | Review operation between 1 August 2021 and 31 July 2022. |
| | Ombudsmen Complaints | Receive the annual report on Ombudsmen Complaints. |
| 24 November 2022 | External Audit Report to those Charged with Governance (ISA 260) | External Audit report and recommendations arising out of the Audit. |
| | Internal Audit Progress Report | Review of work undertaken by the Internal Audit service in the six months to 30/9/22. |
| | Internal Audit Charter | To approve the Internal Audit Charter, reviewed annually. |
| | Anti-Fraud and Corruption and Confidential Reporting Policies | Bi-annual review by the Monitoring Officer. |

Standards and Audit Committee – Work Programme

| | | |
|--------------|---|---|
| 2 March 2023 | External Audit Plan | To consider the programme of work for the 2022/23 year. |
| | Internal Audit Strategy and Proposed 2023/24 Plan | To approve the Internal Audit plan for the year 2023/24. |
| | Internal Audit Service Progress Update | Progress update of work undertaken by the Internal Audit service. |

