



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, 5 March 2020 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.

RAY MORGAN
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 meeting of the Standards and Audit Committee held on 28 November 2019 as published.

2. Apologies for Absence

To receive any apologies for absence.

3. Declarations of Interest (Pages 3 - 4)

- (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 Head of Democratic and Legal Services, Peter Bryant, declares a disclosable personal interest (non-pecuniary) interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Bryant may advise the Committee on those items.
- (iii) In accordance with the Officer Employment Procedure Rules, the Finance Director, Leigh Clarke, 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 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 2018/19

Reporting Person – Leigh Clarke

6. External Audit Plan – report to follow

Reporting Person – Leigh Clarke

7. Internal Audit Strategy and Proposed 2020/21 Plan STA20-002 (Pages 5 - 14)

Reporting Person – James Graham

8. Internal Audit Progress Report STA20-001 (Pages 15 - 20)

Reporting Person – James Graham

9. Members' Code of Conduct - Protocol for Members' Attendance at Board Meetings of Council-Owned Companies STA20-003 (Pages 21 - 22)

Reporting Person – Peter Bryant

AGENDA ENDS

Date Published - 26 February 2020

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



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Schedule Referred to in Declaration of Interests

Council-appointed directorships

Peter Bryant, Head of Democratic and Legal Services

Thameswey Limited
Thameswey Developments Limited
Thameswey Housing Limited
Thameswey Energy Limited
Thameswey Central Milton Keynes Limited
Thameswey Guest Houses Limited
Thameswey Solar Limited
Thameswey Maintenance Services Limited
Thameswey Sustainable Communities Limited
Energy Centre for Sustainable Communities Limited
Rutland (Woking) Limited (alternate for Ray Morgan)
Rutland Woking (Carhouse Lane) Limited (alternate for Ray Morgan)
Woking Necropolis and Mausoleum Limited
Brookwood Cemetery Limited
Brookwood Park Limited
Kingfield Community Sports Centre Limited

Leigh Clarke, Finance Director

Kingfield Community Sports Centre Limited

STANDARDS AND AUDIT COMMITTEE – 5 MARCH 2020

INTERNAL AUDIT STRATEGY AND PROPOSED 2020/21 PLAN

Executive Summary

This report sets out the Internal Audit Strategy and proposed Annual Plan for 2020/21, which details how the Council will meet its statutory requirements for Internal Audit.

The report explains that the overall level of audit coverage has been developed by applying a risk based approach. The Audit Plan continues to focus upon areas of highest risk and the overall coverage is sufficient to provide Members, management and other external bodies with an independent assurance on the adequacy of the Council's risk management, governance and internal control framework.

Recommendations

The Committee is requested to:

RESOLVE That the Internal Audit Strategy and the indicative Audit Plan for 2020/21 be approved.

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

Background Papers: None.

Reporting Person: James Graham, Head of Internal Audit
Email: james.graham@mazars.co.uk

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

Date Published: 26 February 2020

1.0 Introduction

- 1.1 This report establishes the Internal Audit Strategy and proposed Annual Plan for 2020/21, which details how the Council will meet its statutory requirements for Internal Audit.

2.0 Background

- 2.1 The fundamental role of Internal Audit is to provide senior management and members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control and report major weaknesses together with recommendations for improvement. The role is fulfilled by carrying out appropriate audit work in accordance with the Annual Plan as approved by the Chief Finance Officer and the Standards and Audit Committee. As Internal Audit is a major source of assurance that the Council is effectively managing its risks, a key rationale for the development of the Internal Audit Plan was the Council's own Strategic Risk Register and risks detailed within Service Plans.

- 2.2 The Council's Internal Audit Service is delivered in accordance with a regulatory framework comprising:

- The Local Government Finance Act 1972 which requires councils to 'make arrangements for the proper administration of their financial affairs'.
- The Accounts and Audit Regulations 2015. These require that all local authorities 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 Public Sector Internal Auditing Standards (PSIAS). These standards set out what is meant by appropriate internal audit practices. These are mandatory standards and replaced the former CIPFA Code of Practice for Internal Audit in Local Government 2006.

- 2.3 The Internal Audit Strategy is a high level statement which outlines how the Internal Audit Service will be delivered to meet the requirements as set out above. The PSIAS no longer make specific reference to a strategy document, but they require that the information that it contains be communicated to the Audit Committee, to support discussion about audit planning and resources.

3.0 Internal Audit Strategy

- 3.1 This strategy recognises that it is management's responsibility to establish and maintain a sound system of internal control and ensure that risks are properly managed. The overall aim of internal audit work is to establish areas requiring improvement and recommend solutions that will enable the Council to achieve its objectives.

- 3.2 The audit strategy and planning process reflects that the audit environment is constantly changing, requiring continuous review and re-evaluation to ensure that emerging risks are identified and assessed and included as appropriate in the audit plan. Specifically, recognising the unprecedented challenges facing Public Sector finances, the strategy must have in built flexibility to consider:

- Greatest risks to achievement of the Council's objectives
- New areas of activity;
- Issues of local significance and importance;
- Changing issues and priorities;

- Changes to models for service delivery and partnership working; and
- The impact of changes on existing control structures.

3.3 The purpose of the audit strategy is to establish an approach that will enable internal audit to be responsive to change and managed in a way which will facilitate:

- An understanding of assurance needs to enable the provision to Members and management of an overall opinion each year on the Council's risk management, control and governance framework, to support the Annual Governance Statement;
- Audit of the Council's risk management, control and governance systems through an approach which assesses risks to Council objectives and prioritises audits accordingly;
- The identification of audit resources required to deliver an audit service which meets the PSIAS and achieves the required level of audit coverage to enable an opinion to be given on the Council's control environment;
- The identification of other sources of assurance from other assurance providers which can be relied upon to inform the focus of internal audit activity;
- Co-operation and working protocols with the external auditors (BDO) and any other relevant review bodies to ensure that assurance functions work effectively together; and,
- Identification of responsibilities for providing assurance where services are delivered in partnership.

3.4 Based on the budget available for internal audit work, the strategy and audit work make provision for:

- Sufficient coverage of all major financial systems to provide the necessary audit assurance;
- New systems and emerging high risk areas;
- Cross cutting reviews for a selection of corporate themes which link to the corporate risk register;
- Support for corporate governance, with particular focus on governance issues identified in the Council's annual governance statement, ensuring that proposed actions are taken;
- Monitoring the implementation of high risk audit recommendations;
- An element for contingency to enable the audit service to provide ad hoc advice and to respond to management requests for support.

3.5 The internal audit plan is prepared on the basis of a risk assessment combined with an understanding of other sources of assurance which are then compared to the audit resources available. Given the level of audit resources available, it is vital that audit work is planned and focused to ensure an efficient and effective use of resources directed at those areas of greatest risk to the Council.

3.6 The Internal Audit function is outsourced to Mazars, with the Head of Internal Audit role being undertaken as a secondment from Mazars.

4.0 Development of 2020/21 Audit Plan

4.1 The Audit Plan continues to focus upon areas of highest risk and is sufficient to provide Members and management with independent assurance on the adequacy of the Council's internal control framework.

4.2 The main factors taken into account in compiling the Audit Plan consist of:

- Materiality and significance based upon budgets and volume of transactions;

- Historic knowledge and experience accumulated in Internal Audit, based upon the results of previous audits;
- Changes to the control environment or legislative changes since the previous audit;
- A review of audit themes against the Council's risk register and corporate objectives;
- Other sources of assurance available to the Council;
- Key governance issues identified within the Annual Governance Statement (AGS);
- Concerns and emerging risks as identified by Chief Officers; and,
- Horizon scanning of issues affecting all local authorities.

4.3 The total number of audit days allocated for 2020/21 is 303, including 30 days for IT audit and 24 days for the Head of Audit role. This number is in line with the allocation for 2019/20 (305 days). The resources allocated ensure that sufficient high risk areas are audited to allow the Head of Audit to provide an effective annual opinion on the internal control environment.

4.4 The proposed audit plan is presented in Appendix A. Risks referred to in the plan are those on the corporate risk register. The proposed plan has been agreed by the Council's Chief Finance Officer and informed by discussions with Corporate Management Group. It will also be circulated to the Council's external auditor, BDO, to ensure that, where possible, the contents reflect areas where they require audit assurance.

5.0 Implications

Financial

5.1 There are minimal financial implications around the implementation of internal audit recommendations. Some audit recommendations are designed to improve value for money and financial control.

Human Resource/Training and Development

5.2 Some audit recommendations need resource to put in place.

Community Safety

5.3 There is minimal impact on Community Safety.

Risk Management

5.4 Internal Audit identifies weaknesses in the control environment. Implementation of recommendations therefore improves the control environment and the management of risk.

Sustainability

5.5 There is minimal impact of sustainability issues.

Equalities

5.6 There is minimal impact of equalities issues.

Safeguarding

5.7 An internal audit of Safeguarding is included in the 2020/21 Internal Audit Plan.

REPORT ENDS

Appendix A – Proposed 2019/20 Internal Audit Plan

	Title	Source	Scope/notes	Indicative days
People				
<u>1</u>	Safeguarding Children and Adults	Discussion with CMG and previous audit coverage	Policies, Procedures and Strategy; Awareness and Publicity; Staff Vetting and Training; Referrals Assessments and Case Management; Quality Assurance; and Reporting and Monitoring	10
<u>2</u>	Bringing Empty Homes Back into Use	Discussion with CMG	Controls and governance around bringing empty homes into use.	10
<u>3</u>	Affordable Housing Delivery	Risk Register (5)	Strategy and Policies; Affordable Housing Provision; Performance Monitoring and Reporting.	10
<u>4</u>	Private Sector Leasing	Discussion with CMG	Strategy, Policies and Procedures; Application Handling; Lease Agreements; Property Condition Surveys; Rent Collection and Payment; Maintenance and Repairs; Management Reporting.	10
Place				
<u>5</u>	Freedom Leisure Contract Management	Standards and Audit Committee request	Contract Formalities, Contract Monitoring and Performance Management, Payments, Financial Management	12
<u>6</u>	Capital programme	Risk Register (1) and discussion with CMG	Governance arrangements, Development of the Capital Programme, Capital Programme and Project Monitoring, Programme Alterations and Virements, Capital Programme and Project Income, Financial and Performance Management Reporting.	12

Internal Audit Strategy and Proposed 2020-21 Plan

<u>7</u>	Planning Enforcement	Discussion with CMG	Policies and Procedures; Receipt of Intelligence and Complaints; Proactive Monitoring; Investigations and Site Visits; Enforcement Action	8
<u>8</u>	Utilities and Energy Management	Discussion with CMG	Strategy, Purchasing Arrangements; Payments; Monitoring and Management Information; Energy Efficiency and Carbon Reduction Programmes	10
<u>9</u>	On Street Parking	Discussion with CMG and previous audit coverage	Policies and Procedures; Parking Permits; Penalty Charge Notices; Income Collection and Reconciliations; Performance Management and Reporting	10
Us				
<u>10</u>	Complaints	Discussion with CMG	Policies, Procedures and Legislation; Receipt, Recording and Allocation of Enquiries, Requests and Complaints; Review and Issue of Responses; Performance Monitoring and Reporting	8
Corporate				
<u>11</u>	Key Financial Control Testing – Accounts Payable, Accounts Receivable, General Ledger, Payroll, Council Tax, NNDR	Standing item	Testing of key financial controls in each financial system.	45
<u>12</u>	Treasury Management	Cyclical Key Financial System Coverage	Policies and Procedures; Cash Flow Forecasting; Investments; Borrowings; System Reconciliations; Management Information and reporting.	10

Internal Audit Strategy and Proposed 2020-21 Plan

<u>13</u>	Budgetary Control	Risk Register (2)	Policies and Procedures, Budget Setting, Budget Upload, Alterations and Virements, Budget Monitoring and Reporting. To include the identification and monitoring of savings.	12
<u>14</u>	Group Companies	Risk Register (3) and Discussion with CMG	Detailed audit of one subject area - Scope to be agreed with Finance Director.	10
<u>15</u>	Procurement	Risk Register (18)	Strategic Outline Case; Market Building; Contract Strategy; Delivery/Procurement Strategy; Advertising; Evaluation and Authorisation to Proceed; Formation of Contract; Compliance with Council and Legal Requirements; Purchase Orders; Contracts and Deeds.	20
<u>16</u>	Payroll	Cyclical full reviews of finance systems	Legislative, Organisational and Management Requirements; Payroll Transactions and Records; Joiners; Leavers; Variations and Adjustments to Pay; Deductions; Payments; Management Reporting.	10
<u>17</u>	Business Planning	Service plan	Priority Setting; Collation of Information and Development of Plans; Scrutiny and Approval; Communication; Monitoring and Review; Risk Management.	12
<u>18</u>	Economic Development	Risk Register (8 & 9)	Governance; Development and Delivery Plans; Management and Coordination of Individual Programmes and Projects; Stakeholder Liaison and Consultation; Monitoring and Risk Management	10

Internal Audit Strategy and Proposed 2020-21 Plan

IT Audit				
<u>19</u>	Capita Open Housing Application Audit	Risk Register (14)	Application Management and Governance; Systems Security; Interface Controls and Processing; Data Input; Data Output; Change Control; System Resilience and Recovery; Support Arrangements.	15
<u>20</u>	Review of Office 365 Project Plan	Risk Register (14)	Review of the implementation of Office 365	15
Other Work				
<u>21</u>	Follow up reviews	Ongoing		10
<u>22</u>	Management	Ongoing		20
<u>23</u>	Head of Audit	Ongoing		24
TOTAL AUDIT DAYS				303

STANDARDS AND AUDIT COMMITTEE – 5 MARCH 2020

INTERNAL AUDIT PROGRESS REPORT

Executive Summary

Financial Regulation 2.8 requires that the Chief Finance Officer shall report regularly to the Standards and Audit Committee on the work undertaken by Internal Audit. This report is accordingly submitted to the Committee for consideration.

This report covers audit activity and performance from 16 November to 14 February 2020.

Recommendations

The Committee is requested to:

RESOLVE That the report be received and progress against the 2019-20 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

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

Background Papers: None.

Reporting Person: James Graham, Head of Internal Audit
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Contact Person: Leigh Clarke, Finance Director
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Date Published: 26 February 2020

1.0 Introduction

- 1.1 Financial Regulation 2.8 requires that the Chief Finance Officer shall report regularly to the Standards and Audit Committee on the work undertaken by Internal Audit. This report covers audit activity and performance from 16 November 2020.
- 1.2 The Standards and Audit Committee approved the 2019/20 Internal Audit Plan on 7 March 2019.
- 1.3 The purpose of this report is to outline the following in respect of Internal Audit Activity during the period:
 - An update on progress in delivering the 2019/20 internal audit plan;
 - A summary of any Limited/Nil Assurance reports issued and high priority recommendations raised; and
 - An update on follow up activity and any recommendations outstanding for implementation.

2.0 Internal Audit Progress

- 2.1 The table below provides a summary of progress in terms of the number of reports at draft or final stage and those in progress:

Audit Status	Number of reviews	Percentage
Finalised	4	21
Draft	6	32
Fieldwork in progress	5	26
Not yet started	4	21
Total	19	100

- 2.2 In the last Committee meeting we reported that progress was behind plan and efforts have been since been made to improve the deliver position.
- 2.3 53% of the 2019/20 plan has been delivered to at least draft report stage as at 14 February. The remaining audits are all in progress with the exception of four audits:
 - Cash Receipting – To start in March
 - Off Payroll Engagement (IR35) – To start in March
 - Asset Management – Managing Agents Regulatory Compliance – delayed until April to allow for an asset valuation exercise taking place in March.
 - Victoria Square Change Control – To start in April.
- 2.4 At present, we are expecting to be able to complete all audits by June 2020 to allow the Head of Internal Audit to prepare the annual assurance report.

3.0 Joint Waste Solutions audit

- 3.1 As part of the 2018/19 internal audit plan an entry was included regarding the Joint Waste Contract. An audit of the contract was undertaken by Surrey Heath Council’s Internal Audit Service in 2019 with the objective of providing assurance to management that the joint waste contract between the four partner authorities in Surrey and the waste contractor Amey LG Ltd is being managed effectively by Joint Waste Solutions (JWS). The audit focussed on reviewing

the mechanisms and controls that to manage performance issues rather than to report on the issues themselves.

- 3.2 In Decemeber 2019 the final audit report was received and provided a ‘Substantial’ level of assurance (equivalent to Satisfactory in Woking Borough Council’s assurance definitions). The report acknowledged that, although there are still issues to resolve, a significant amount of progress has been made. Internal audit will continue to monitor progress.

4.0 Final Audit Reports Issued

- 4.1 We have four categories by which we classify internal audit assurance over the processes we examine: Substantial, Satisfactory, Limited or Nil.
- 4.2 Two final reports were issued in the period with one receiving a Satisfactory Assurance opinion and one being a non-assurance advisory audit. None of the reports currently at draft stage have a limited assurance opinion. The table below shows the final audit reports issued in the period.

Audit Title	Assurance Opinion	Date Issued	Recommendations by Priority		
			High	Medium	Low
Housing Allocations	Satisfactory	20/02/2020	0	2	0
Risk Management Strategy	N/A (non assurance work)	12/11/2020	N/A	N/A	N/A

- 4.3 Internal Audit categorise recommendations as High, Medium or Low priority to differentiate between the types of recommendation made. This gives management an indication on the importance and urgency of implementing the recommendations.
- 4.4 No High priority recommendations were raised in the reports finalised in the period. Details of all recommendations raised can be found in the summary reports for each individual audit provided separately to members.

5.0 Follow Ups

- 5.1 All recommendations have historically been entered onto an improvement plan in Shikari. Managers updated progress on the system and closed down the recommendations on the system once implemented. The Shikari system has been phased out and a new system to track recommendations has now been implemented. In the interim period the implementation of high priority recommendations has been tracked manually.
- 5.2 The new Action Management system is currently being populated with 2019/20 recommendations to go live in the 2020/21 financial year.
- 5.3 As at 14 February, there were no outstanding high priority recommendations (i.e. recommendations are past their agreed implementation dates) that have been confirmed as not yet implemented.
- 5.4 In addition to management updates on progress, spot checks are undertaken to confirm that recommendations are being implemented in practice. A procedure is in place to escalate recommendations that have not been implemented as agreed to CMG and finally to this committee where necessary.

6.0 Implications

Financial

- 6.1 There are minimal financial implications around the implementation of internal audit recommendations. Some audit recommendations are designed to improve value for money and financial control.

Human Resource/Training and Development

- 6.2 Some audit recommendations need officer resource to put in place.

Community Safety

- 6.3 There is a minimal impact on Community Safety.

Risk Management

- 6.4 Internal Audit identifies weaknesses in the control environment. Implementation of recommendations therefore improves the control environment and hence the management of risk.

Sustainability

- 6.5 There is minimal impact on sustainability issues.

Equalities

- 6.6 There is minimal impact on equalities issues.

Safeguarding

- 6.7 There is minimal impact on safeguarding issues.

REPORT ENDS

STANDARDS AND AUDIT COMMITTEE – 5 MARCH 2020

MEMBERS' CODE OF CONDUCT – PROTOCOL FOR MEMBERS' ATTENDANCE AT BOARD MEETINGS OF COUNCIL-OWNED COMPANIES

Briefing Note

The Thamesway Group Protocols provide for Members, who are not directors of Thamesway Companies, to (i) receive Board papers and (ii) attend Board meetings if they have signed a Non-Disclosure Agreement (“NDA”).

Consideration is being given to simplifying this process (so that it is not necessary for Members to sign NDAs). This could be achieved by the Council adopting a “Standards Protocol”. The Protocol would require Members to respect the confidentiality of confidential information relating to all Council-owned companies. Under paragraph 2.6 of the Members’ Code of Conduct, a breach of the Protocol would also constitute a breach of the Code of Conduct. Another possibility would be to expand the Declaration of Acceptance of Office form, signed by Members when they are elected, so that it covers confidential information of Council-owned companies.

The Monitoring Officer intends to consult all Members on these proposals, with a view to reporting to Council at its first business meeting in the new Municipal Year (1 June 2020). Particular attention will be given to comments received from Members of the Committee. Any changes agreed by Council would take effect from 2 June 2020.

It is worth noting that the Executive will, at its meeting on 26 March 2020, consider proposals for (i) increasing the number of independent directors appointed to the Thamesway Boards and (ii) formalising their periods of service. Council will consider any recommendations from the Executive on 2 April 2020.

Recommendations

The Committee is requested to:

RESOLVE That the proposals for dealing with Members’ access to confidential information of Council owned companies be noted.

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

Background Papers: Thamesway Group Protocols.

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