



Woking Borough Council – Internal Audit Report  
**Housing Infrastructure Fund (HIF) Project 2021/22**  
November 2021

**Draft Report**

**mazars**



## Contents

01 Introduction	1
02 Background	1
03 Key findings	2
04 Areas for further improvement and action plan	4
A1 Audit information	10

### ***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 upon 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 the 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 Appendix A1 of this report for further information about responsibilities, limitations, and confidentiality.

## 01 Introduction

We have undertaken an internal audit of the adequacy and effectiveness of governance, risk management and key controls relating to the delivery of the HIF project.

This review was requested by the Overview and Scrutiny Committee (OSC) at their meeting on 13 September 2021. The OSC was of the opinion that a scrutiny review of the HIF project would add value to ensure that the project is focused on the delivery of outcomes that reflect the needs of and improves the outcomes for Woking communities. As per the Scrutiny Review Proposal, the OSC wanted this review to:

- I. Provide assurance that the Council has fully identified all the risks in respect of the Housing Infrastructure Fund (HIF) project, and it has sufficient mitigation in place to manage these risks.
- II. Provide assurance that due processes in decision making and project management have been applied and assess how the demands and potential conflicts of multiple major projects occurring concurrently are managed.
- III. To identify the wider lessons from a project of this scale with very significant external dependencies.

Further detail on the areas considered as part of our review are set out in Appendix A1.

The fieldwork for this review was completed remotely, and we have obtained all relevant documents required to complete the review and deliver the agreed scope.

We are grateful to the Director of Planning, Strategic Project Manager, Project Support Officer, and all other staff interviewed for their assistance during the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

## 02 Background

The Council has partnered with Surrey County Council (SCC) to secure a HIF grant of £95 million from the central Government agency, Homes England. The HIF is a government capital grant programme of up to £2.3 billion, which will help to deliver up to 100,000 new homes in England.

As Woking's current infrastructure prevents further housing developments, this grant was welcomed as it would deliver enhanced highways, pedestrian and rail links for Woking's town centre, improving transport within the Borough, which in turn could unlock development sites for 3,300 new homes in the town centre above the targets set out in the Local Plan.

The Council HIF Project is aligned to the Council's Core Strategy and consists of three elements:

- I. Acquisition of key sites
- II. Widening and improvements to the arterial A320 highway
- III. Replacement of the Victoria Arch railway bridge

The governance and implementation of the project is overseen by the HIF Oversight Panel. The Project Board and Project Management Team report to the Oversight Panel. Key partners in the delivery of the project include SCC as the highways authority who will deliver elements within their remit, as well as providing oversight and assurance within the project; WH Stephens, who are the Council's contracted project managers; and Network Rail, who will deliver the rail-related elements of the project.

The total cost of the scheme is £115 million. The HIF recovery strategy seeks to bridge the gap between the total scheme cost (£115 million) and the HIF grant (£95 million) through a Section 106 tariff (HIF recovery strategy for Woking Town Centre) which secure developer contributions towards infrastructure provision and funding from Network Rail.

The project is currently in the design stage and faces a number of risks from its stakeholders, most notably challenge from local residents impacted by the plans and delivery challenges on the number of homes being built. The

target practical completion dates for the infrastructure works and owned housing outputs are 31 March 2024 and 31 January 2025 respectively.

## 03 Key findings

### Assurance on the effectiveness of internal controls



**Limited Assurance**

#### Rationale

Whilst we noted elements of the control framework operating effectively, including regular governance meetings, and meetings with external stakeholders to manage external dependencies as well as risk registers being in place, we have identified several areas for improvement for which we have made recommendations.

These recommendations are all categorised as High and Medium and relate to:

- Some key risks not being included in the Council's project risk register, and the risk descriptions and mitigating actions on the register being high level. Risks are also not allocated to individual risk owners.
- The lack of a Terms of Reference for the Project Board.
- The project spend against the project budget is not being reported to the Oversight Panel in the Project Dashboard.
- Formal contracts with WH Stephens Limited and WSP UK Limited not being finalised.
- The project not having a RACI (Responsible, Accountable, Consulted and Informed) chart, and decisions log.
- The project not having a formal change request and approval process, and change log.

Further detail on the above areas are provided in Section 04.

Please see **Appendix A1** for definitions of our assurance levels and recommendations.

Priority	Number of recommendations
High (Fundamental)	3
Medium (Significant)	3
Low (Housekeeping)	-
<b>TOTAL</b>	<b>6</b>

### 3.1 Examples of areas where controls are operating reliably

- We confirmed through interviews that risks were identified at the start of the project and a project risk register was created. We also confirmed via interviews and review of Project Board meeting minutes that the risk register is reviewed prior to the Project Board meetings and risks are updated during these meetings if needed. We have however noted areas for improvement regarding the risk management processes. Further details regarding this can be found in 4.1.

Network Rail also has a separate risk register maintained by them. Review of this risk register noted that risks are fed into Network Rail's Victoria Way Dashboard reported to the Project Board.

- Review of the Project Dashboard noted that risks and issues are reported to the Oversight Panel.
- We reviewed the draft Project Governance Framework, minutes, agendas, and meeting notes from the following meetings:

- HIF Oversight Panel;
- WBC Executive and Full Council;
- SCC Cabinet;
- WBC/SCC Monthly coordination;
- WBC HIF project team, and
- Day Aggregates/NR/WBC/SCC Technical Meetings- access relocation

Review confirmed that these meetings align with the draft Project Governance Framework, and appropriate information was discussed during these meetings.

- We reviewed the Project Dashboards presented to the Oversight Panel in the July and September 2021 meetings, the September 2021 Victoria Way Dashboard produced by Network Rail, and the September 2021 Highways, Demolition and Multi-Contractor Utilities dashboards produced by WH Stephens. We confirmed that project progress is reported via these dashboards.
- We reviewed the Milestone Tracker as of September 2021. The tracker is maintained by the Project Management Team. The milestones in the tracker have been set by Homes England as per the requirements of the HIF Fund Agreement. We confirmed that project progress is monitored via the tracker and the project is currently on track.
- We reviewed the Update on Council Decisions following the Independent Investigation into the Woking Football Club and Associated Developments. Review of the draft Project Governance Framework and minutes from the Project Board meetings indicated that the project has been sponsored by a member of the Council's Corporate Leadership Team (CLT) and the CLT forms part of the Project Board. This is in line with the Council's response to recommendation 1 in the report.
- We confirmed via interviews with WBC staff that they have been

involved in the delivery of major projects in the past and are using this experience to guide this project.

- We reviewed change request forms, emails and the contract with Homes England and interviewed staff to confirm that, in the absence of a change request process (which forms one of our Recommendations in Section 04), changes to the project are currently raised and approved via governance meetings, and terms set out in the contracts with Homes England and Network Rail.
- We confirmed via interviews that internal dependencies within the project are managed via Project Board meetings. Review of minutes from the July, August and September 2021 Project Board meetings noted that they are attended by representatives from WBC, SCC, Network Rail, Homes England, and WH Stephens. Review of the outline programme plan noted that internal dependencies have been identified in the plan.
- We reviewed minutes from the meeting between WBC, SCC and local bus operators, notes from engagement meetings with Woking residents, and the newsletter regarding the project sent out to residents to confirm that external dependencies are being managed.
- We confirmed via review of meeting notes and agenda pack from the July 2021 Victoria Square Oversight Panel meeting that it was attended by the Director of Planning and WH Stephens and the HIF Project was discussed during this meeting.
- We reviewed the 'Housing Infrastructure Fund – Update' presented to the Council's Executive on 7 October 2021 and confirmed that Woking residents and Network Rail are being consulted to draw up the Town Centre Master Plan. We were informed that a consultation meeting with Network Rail took place on 27 October 2021. We reviewed a timetable of consultation meetings with residents regarding the Town Centre Master Plan. We were informed that these meetings were video recorded.

## 04 Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made the recommendations detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Risk Management</b></p> <p>We noted some key risks have not been included in the Council's project risk register. For instance, via interviews with staff we note that planning applications for tall buildings were previously refused and are currently being appealed by developers. The outcome of those appeals will influence the Woking Town Centre Master Plan.</p> <p>Additionally, as per the terms of the Housing Infrastructure Fund Grant Determination Agreement, in the event of a 'Fundamental Default' Homes England is entitled to require WBC to immediately repay the HIF Funding and all other amounts due under the Agreement together with Interest. Review of WBC's risk register noted that the risk of the appeal being denied and the event of a 'Fundamental Default' along with any associated mitigations have not been included.</p>	<p>(i) The Council's project risk register should be reviewed and updated to include the risk of a 'Fundamental Default', the risk of the appeal for tall building planning applications being denied, and any other missing key risks. Risk management should be a standing item on the agenda for Project Board meetings.</p> <p>(ii) The risk descriptions and mitigating actions should be updated to include the appropriate amount of detail. As per best practice, the risk register should detail the risk event, cause and impact. The risks should be allocated to individual risk owners within the stakeholder organisations.</p>	High	<p>The project risk register will be reviewed thoroughly including a detailed review of each individual risk with further detail added in order to ensure project risks and mitigating actions are managed appropriately including risks associated to a fundamental default.</p> <p>Risk register scoring will be reassessed</p> <p>Risk register stakeholder discussions will be held to allocate risks to an individual risk owner within each stakeholder group</p> <p>A review of risks will be added as a standing agenda item to the Project management Team, Project Board and Member Oversight Panel meetings.</p>	<p>This action will be implemented by the Project Manager with the assistance of the Project Support Officer.</p> <p>The revised risk register will be agreed with the Project Lead and Director of Planning, and taken to the HIF Oversight Panel members for review.</p> <p>Completion by 31 December 2021</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>We noted that the risk descriptions and impacts within the Project risk register are high level. The risk descriptions do not fully capture the risks and their possible impact on the project and the Council. For example, Risk E2 'Properties owners do not enter into negotiations with WBC' states 'The scheme will not be able to commence in its current form unless the land within the "Triangle" site is acquired and demolished.' We understand that one of the ways in which WBC could default on their agreement with Homes England would be if on or before the Initial Certificate of Title Delivery Date, they are unable to provide a Certificate of Title to Homes England in respect of the ownership of the Triangle Site Buildings.</p> <p>This could mean that the Council have to immediately repay the HIF Funding and all other amounts due under the Agreement together with Interest. Therefore, Risk E2 lacks details which stakeholders would require to effectively appraise the risk and to manage it.</p> <p>Further, the planned mitigating actions are high level and so they may not be sufficient to mitigate the risks. We noted that in 10/33 cases the post mitigating action risk impact score was the same as the pre mitigating action risk impact score.</p>				

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Additionally, risks are reviewed when needed and risk management is not a standing item on the Project Board meeting agenda. Lastly, risks have been allocated to stakeholder organisations within the project instead of individual risk owners within the stakeholder organisations.</p> <p><i>Risk:</i> Project risks are not adequately mitigated which may lead to the programme not being delivered successfully. Not assigning responsibility of risks to individuals could result in action not being taken to mitigate the risk which could turn into issues impact cost, time, scope or quality.</p>				
4.2	<p><b>Terms of Reference for the Project Board</b></p> <p>The Project Board has been operating since October 2019.</p> <p>However, we confirmed via interviews with Council staff that the Board's terms of reference have not been developed.</p> <p><i>Risk:</i> If escalation and decision-making roles and responsibilities are not defined then this could cause undue delay in delivery.</p>	<p>A Terms of Reference setting out the roles and responsibilities of the Project Board should be drawn up and agreed at the appropriate authorisation level.</p>	High	<p>Terms of Reference will be set up for the Project Board to include a list of members and accountabilities.</p>	<p>This ToR will be drafted by the Project Manager in discussion with the Project Lead and Director of Planning.</p> <p>Completion by 31 January 2022</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.3	<p><b>Formal contracts with WH Stephens Limited and WSP UK Limited</b></p> <p>Formal contracts with WH Stephens Limited and WSP UK Limited are in the process of being finalised at the time of our review.</p> <p>We were informed by the Strategic Project Manager that the Council is currently working under an informal instruction to WH Stephens on the basis of fee quotations totalling £484,600 provided by WH Stephens in August 2019. The specific contract for the HIF project is currently being arranged.</p> <p>Additionally, the Council has been working with WSP on the project for over a year. While we were provided with a draft agreement with WSP for the provision of support to the Council and SCC in the development of an improvement scheme for Guildford Road, we were informed by staff that this agreement has not been agreed yet.</p> <p>The approximate value of this contract will be £125,470 not including any additional updates to the Town Centre Model.</p> <p>We did not consider the procurement of consultants as part of our review. The Council aims to finalise the contracts within the next couple of weeks. Finalising the contracts as soon as possible could</p>	<p>As planned, the contracts with WH Stephens Limited and WSP UK Limited should be agreed and signed as soon as possible.</p>	High	<p>To correct this finding the project team are prioritising the completion of these contracts. At the time of writing the draft contracts with both WSP and WH Stephens have been agreed between parties and signatures are imminent.</p>	<p>The Project Manager, Director of Planning and Head of Legal Services, are the responsible officers within the Council to get these contracts expedited.</p> <p>It is expected that these contracts will be signed and in place by 31 December 2021.</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>help to mitigate Risk T10 'Poor contractor performance' in WBC's risk register.</p> <p><i>Risk:</i> Without a formal signed contract with WH Stephens and WSP, there is a risk of the contractor not meeting the Council's needs and providing it with legal comfort that should things go wrong, it can seek specific performance, damages or other suitable remedies at the discretion of the Court.</p>				
4.4	<p><b>Project spend against budget</b></p> <p>Review of the Project Dashboard presented to the Oversight Panel noted that it only includes the estimated project funding and costs. It does not indicate the actual project spend to date against the budget.</p> <p>We were provided with the HIF Expenditure Profile which indicates the monthly expenditure and the funding estimate. This information could be used to produce a budget vs actual spend report. As of September 2021, £29,642,328.60 has been spent on the project.</p> <p><i>Risk:</i> There is a risk that those charged with governance are not aware of the project spend against the budget. Consequently, issues regarding under or</p>	<p>The Project Dashboard should be updated to include the project spend to date against the project budget.</p>	Medium	<p>The Oversight Panel dashboard will be updated to include the expenditure profile information.</p>	<p>Project Manager working with WH Stephens. To be complete by next HIF Oversight Panel 1 December 2021.</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	overspend cannot be effectively managed.				
4.5	<p><b>RACI chart and decisions log</b></p> <p>The project does not have a RACI (Responsible, Accountable, Consulted and Informed) chart, and decisions log.</p> <p>We confirmed (via staff interviews and review of meeting minutes, meeting notes and emails) that project decisions are made during project monitoring meetings. However, we confirmed via interviews with staff that there is no RACI chart outlining all the activities undertaken within the HIF project set against all the people and/or roles.</p> <p>This, along with the lack of a Terms of Reference for the Project Board (as mentioned in 4.2) and the Project Governance Framework being in the draft stage could signal a lack of clarity on accountabilities and responsibilities. Clear accountabilities and responsibilities are important for a project of this size with several stakeholders.</p> <p>There is also the lack of a decision log outlining past, current and upcoming project decisions along with deadlines and the level at which the decisions need to be authorised.</p>	<p>(i) The Project Governance Framework should be finalised and approved. A RACI chart based on the finalised Project Governance Framework should be created. It should outline all the activities or decision-making authorities undertaken within the HIF project set against all the people and/or roles.</p> <p>(ii) A decision log outlining past, current and upcoming project decisions along with deadlines and the level at which the decisions need to be authorised (based on the RACI chart) should be created and reviewed regularly.</p>	Medium	<p>A RACI chart, and decisions log will be set up. This will outline all the activities and decisions undertaken within the HIF project which will be recorded against people and/or roles. This will strengthen the clarity on accountabilities and responsibilities for all individuals involved in the project which is important for a project of this size with several stakeholders.</p> <p>The documents will be discussed with all stakeholders and individuals to ensure understanding and agreement with all involved.</p> <p>The RACI and decisions log will be live documents and kept under review on a monthly basis</p>	<p>The Project Manager will be responsible for the initial preparation of the RACI and decisions log with the assistance of the Project Support Officer.</p> <p>The documents will be agreed with the Project Lead and Director of Planning</p> <p>The Project Manager with the assistance of the Project Support Officer will be responsible for reporting and updating on a monthly basis.</p> <p>31 January 2022.</p>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p><i>Risk:</i> There is a risk that project decisions are made at incorrect level, and past, current and upcoming decisions are not tracked. Potential gaps in the audit trail in the event decisions need to be revisited.</p>				
4.6	<p><b>Formal change management process</b></p> <p>We confirmed via interviews with staff that there is not a formal change request and approval process, and change log for the project.</p> <p>We acknowledge that in the absence of a change request process changes to the project are currently raised and approved via governance meetings, and terms set out in the contracts with Homes England and Network Rail.</p> <p><i>Risk:</i> Without a formal change request process and change log, there is a risk that changes to the project may be authorised at the incorrect level or changes that have been approved may not be tracked which may lead to them not being implemented and project documents not being amended to reflect the changes. Cost and delivery implications are not readily understood which leads to project objectives not being achieved.</p>	<p>A formal change request and approval process should be agreed and implemented within the project.</p> <p>A change log should be created and updated when needed.</p>	Medium	<p>A formal change request and approval process and change log will be set up in order to ensure the correct level authorisation and that changes are tracked.</p> <p>The process and log will be live documents and kept under review on an ongoing basis by Louisa Calam with the assistance of Alice Peplow.</p>	<p>The Project Manager will be responsible for the initial preparation of the request and approval process and change log.</p> <p>This process will be set up with input from the Surrey County Council Project Management Office who have similar projects ongoing.</p> <p>The overall process will be agreed with the Project Lead, and Director of Planning.</p> <p>31 January 2022.</p>

## A1 Audit information

Audit Control Schedule	
<b>Client contacts:</b>	Giorgio Framaliccio: Director of Planning
	Louisa Calam: Strategic Project Manager
	Alice Peplow: Project Support Officer
<b>Internal Audit Team:</b>	Graeme Clarke: Director
	Juan Fosco: Manager
	Syed Shah: Programme Assurance Associate Director Priyadarshini Kumre: Programme Assurance Senior Auditor
<b>Finish on-site / Exit meeting:</b>	1 November 2021
<b>Draft report issued:</b>	5 November 2021
<b>Management responses received:</b>	
<b>Final report issued:</b>	

## Scope and Objectives

The overall objective of this internal audit was to provide the project leaders, and other officers, assurance as to the adequacy and effectiveness of governance, risk management and key controls relating to the delivery of the HIF project.

Our review considered the following areas:

- Identification, management and mitigation of risks;
- Governance, escalation and decision-making arrangements;
- Change management and planning; and
- Dependency management including managing dependencies with other projects and external dependencies.

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. Testing was performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

We have not provided an opinion on the decisions made in relation to the project, or the justification for the project – rather, we have reviewed the governance and administration arrangements to determine whether there is an appropriate control framework to support good decision making.

Definitions of Assurance Levels	
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.

Definitions of Recommendations		
Priority	Definition	Action required
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a	Remedial action should be taken at the earliest opportunity and within an agreed timescale.

	high level of residual risk.	
Low (Housekeeping)	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.

### Statement of responsibility

We take responsibility to Woking Borough Council 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 rely 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.

# mazars

## Contacts

### **Graeme Clarke**

Director, Mazars

graeme.clarke@mazars.co.uk

### **Juan Fosco**

Manager, Mazars

juan.fosco@mazars.co.uk

### **Syed Shah**

Associate Director, Mazars

syed.shah@mazars.co.uk

Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories worldwide, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

[www.mazars.co.uk](http://www.mazars.co.uk)