

INTERNAL AUDIT PROGRESS REPORT

Executive Summary

The Woking Borough Council Financial Regulation 2.8 requires that the Chief Finance Officer (Finance Director) shall regularly report to the Standards and Audit Committee (Committee) on the work undertaken by Internal Audit. Similarly, under the Internal Audit Charter approved by the Committee, it is a requirement that Internal Audit provides a quarterly report on internal audit progress and key findings to the Committee.

This report covers audit activity and performance from 7 July to 22 September 2022.

Recommendations

The Committee is requested to:

RESOLVE That the report be received and progress against the 2022-23 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.

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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, implementing recommendations improves the control environment and hence the risk management.

Human Resources and Equalities

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

Legal

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



Woking Borough Council - Internal Audit Progress Report
For the July to September 2022 Period
September 2022

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Disclaimer

This report (“Report”) was prepared by Mazars LLP at the request of Woking Borough Council (Council), 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.

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01 Introduction

The Woking Borough Council (Council) Financial Regulation 2.8 requires that the Chief Finance Officer (Finance Director) shall regularly report to the Standards and Audit Committee (Committee) on the work undertaken by Internal Audit. Similarly, the Internal Audit Charter approved by the Committee requires that Internal Audit provide a quarterly report on internal audit progress and key findings to the Committee.

The Committee approved the 2022/23 Internal Audit Plan (Plan) on 3 March 2022. 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 2022/23 internal audit plan;
- A summary of any Limited/Unsatisfactory Assurance reports issued and high priority recommendations raised; and
- An update on follow-up activity and any recommendations outstanding for implementation.

This report covers internal audit activity and performance from 7 July 2022 to 22 September 2022.

02 Internal Audit Progress

The approved Internal Audit Plan for 2022/23 was for 305 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.

Of the 18 internal audits included in the 2022/23 Plan, one was scheduled in Q1, two in Q2, seven in Q3 and seven in Q4.

The remaining audit related to Business Planning was initially resourced to start in Q1. However, following discussions with the Head of Transformation and Digital and the Director of Finance, we agreed to split the scope of this work into two separate reviews. One related to reviewing the accuracy of

data feeding into the Green Book, and the remaining area to focus on Business Planning, including priority setting; collation of information and development of plans; and risk management. In terms of timing, it was agreed that this work will be deferred to the 2023/24 Plan due to relevant Officers having minimal bandwidth to undertake a review of this type given competing priorities and also, a Member-led 'Green Book' review taking place reviewing the metrics in terms of structure, timing, and indicators. Given that the indicators may change, a review into current indicators was not considered the best use of time and resources.

Status of the remaining audits in the Plan is therefore as follows:

Audit Status	Number of reviews	Percentage %
Finalised	1	6%
Draft	0	0%
Fieldwork in progress	1	6%
Not yet started	15	88%
Total	17	100%

Further detail on the audits, progress and timing is included in **Appendix A1** of this report.

03 Audit Reports Issued

We have four categories by which we classify internal audit assurance over the processes we examine: Substantial, Moderate, Limited or Unsatisfactory reviews.

One final report was issued during the period on an assurance basis and received a Moderate Assurance opinion.

In our Annual Report for 2021/22, we also highlighted three reports at the draft stage. One of these related to Temporary Accommodation has been finalised. However, the Capital Programme and Cyber Security reports remain in draft. The services have asked for additional time to respond to the queries raised by Internal Audit, given workload pressures and delays

due to the summer break. The table below shows the outstanding reports and also those issued in the period:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
2021/2022 Internal Audit Plan				
Temporary Accommodation	Moderate	-	6	-
Cyber Security*	Limited	-	8	1
Capital Programme*	Moderate	-	3	-
2022/2023 Internal Audit Plan				
Corporate Debt Management	Moderate	-	2	-
Total		0	23	2

**Draft reports currently awaiting management responses, which may lead to changes in content, including assurance levels and/or recommendations.*

There is also one report from the 2020/21 Plan outstanding as draft (Covid-19 Lessons Learned). Internal Audit has raised this matter with the Finance Director at our regular meetings and the status of these reports has also been reported to the Committee. We are working with relevant Officers and the Finance Director to complete this.

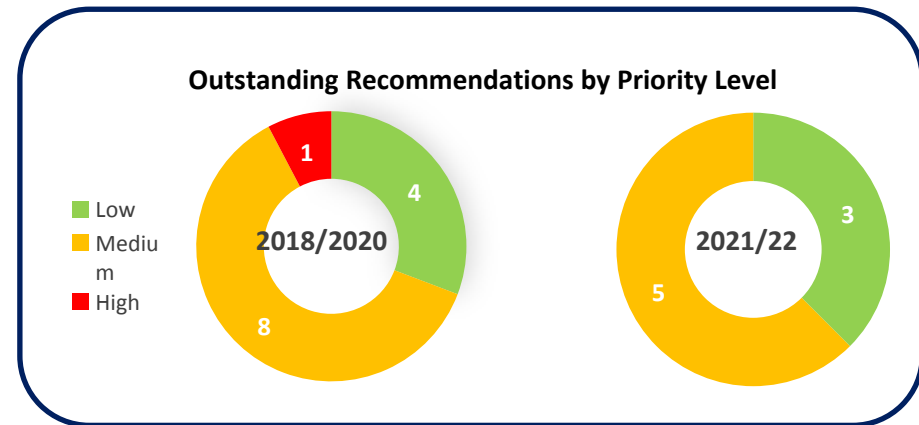
Internal Audit categorises recommendations as High, Medium, or Low priority to differentiate between the recommendations made. These categories give management an indication of the importance and urgency of implementing the recommendations.

As shown in the table above, no High Priority recommendations were raised. Further details of recommendations can be found in the summary reports for each audit provided separately to Members.

04 Follow-Ups

Since the last Committee meeting, the Council's Action Management system has been populated with new recommendations from finalised reports.

As of 18 August 2022, there are 21 recommendations in Action Management which have past their initially agreed implementation dates. There are a further nine recommendations that were raised but within the agreed timescales for implementation and therefore not reviewed. Priorities for overdue recommendations are as follows:



The high-priority recommendation outstanding is related to the Empty Homes 2020-21 audit and had a July 2022 deadline.

We shared a report listing all recommendations raised to the Council's CLT on 30 August 2022, ahead of the previously planned Committee Meeting. Relevant Officers assigned to implement all outstanding recommendations were reminded to update the Action Management System with progress on implementing these. A procedure is in place to escalate recommendations that have not been implemented as agreed to CLT and finally to this Committee where necessary.

Further detail of outstanding high-priority recommendations is included in **Appendix A2** of this report.

05 Other Matters

This section is used to set out other matters which may be of interest to the Committee and in **Appendix A4** we have provided details on a recent report produced by Mazars on Cyber Security.

This report takes as its starting point the inevitability of being cyber attacked. Cyber security is no longer a question of if, but when. That may amount to a mindset shift for many business leaders, but we believe it's an important one to make.

A1 Current Progress – 2022/23 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Corporate Debt Recovery	Final	Moderate	-	3	-
Corporate Governance Arrangements	Fieldwork Complete	-	-	-	-
Disabled Facilities Grant	Starts 26/09/2022	-	-	-	-
Health & Safety	Starts 19/10/2022	-	-	-	-
HR – Recruitment and Retention	Starts 02/11/2022	-	-	-	-
Housing Stock – H&S Compliance	Starts 21/11/2022	-	-	-	-
Key Financial Systems – AP, GL, NNDR and Council Tax	Starts 05/12/2022	-	-	-	-
Community Safety	Starts 09/01/2023	-	-	-	-
Contract Management – Savills	Starts 19/01/2023	-	-	-	-
Commercial and Investment Property Portfolio	Starts 06/02/2023	-	-	-	-
Waste Management	Starts 06/02/2023	-	-	-	-
Victoria Square	Starts 22/02/2023	-	-	-	-
Thamesway Group Companies	Starts in Q3	-	-	-	-
Business Planning	Deferred to 23-24	-	-	-	-
IT					
IT Disaster Recovery	Starts 07/11/2022	-	-	-	-
Office 365	Starts in Q3	-	-	-	-
Total			0	3	0

A2 Outstanding High Priority Recommendations (Past Implementation Date)

Empty Homes 2020/21					
Ref	Observation/Risk	Recommendation	Priority	Management Response	Timescale and Responsibility
1	<p>Discussions with the Private Sector Housing Manager confirmed that the governance arrangements (Empty Homes Plan, Enforcement Policy, and Inspection Procedures) and processes have previously been in place. The necessary information is available and procedural guidance; however, this information is outdated for over two years. For example, procedural guidance for Empty Homes does not relate to the current private rented sector access scheme. The EXTralet scheme is no longer in place at the Council.</p> <p>Where multiple strategies and procedures are not updated, there is a risk that the Empty Homes process is not actively re-evaluated.</p> <p>There is a risk that if the plan is not updated, the Council may not achieve the Housing team objectives. Furthermore, without an updated Enforcement Policy the Council is at risk of reputational damage and or inappropriate action.</p>	<p>The Empty Homes Plan, the Enforcement Policy and the House Inspection Guidance should be reviewed and updated to reflect the current borough landscape. The Plan should be reviewed by Senior Management and regularly reviewed.</p> <p>Furthermore, the flowchart of referrals should be reviewed by the Private Sector Housing Team and regularly reviewed.</p>	High	<p>The Empty Homes Plan and procedures will be reviewed. The Housing Standards Enforcement Policy emphasis is on improving private rented dwellings and not Empty Homes. Any review of the Housing Standards Enforcement Policy will have regard to the Empty Homes Plan and vice versa.</p> <p>September 2022:</p> <p>The Empty Homes Plan has been drafted and is currently subject to public consultation. It is on the forward plan to be considered by the Executive in November.</p>	<p>Revised timescale 31/12/2022</p> <p>Private Sector Housing Manager</p>

Empty Homes 2020/21

Ref	Observation/Risk	Recommendation	Priority	Management Response	Timescale and Responsibility
	With no up to date procedural guidance, there is a risk that of inconsistent practises among the staff.				

A3 Definitions of Assurance

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.

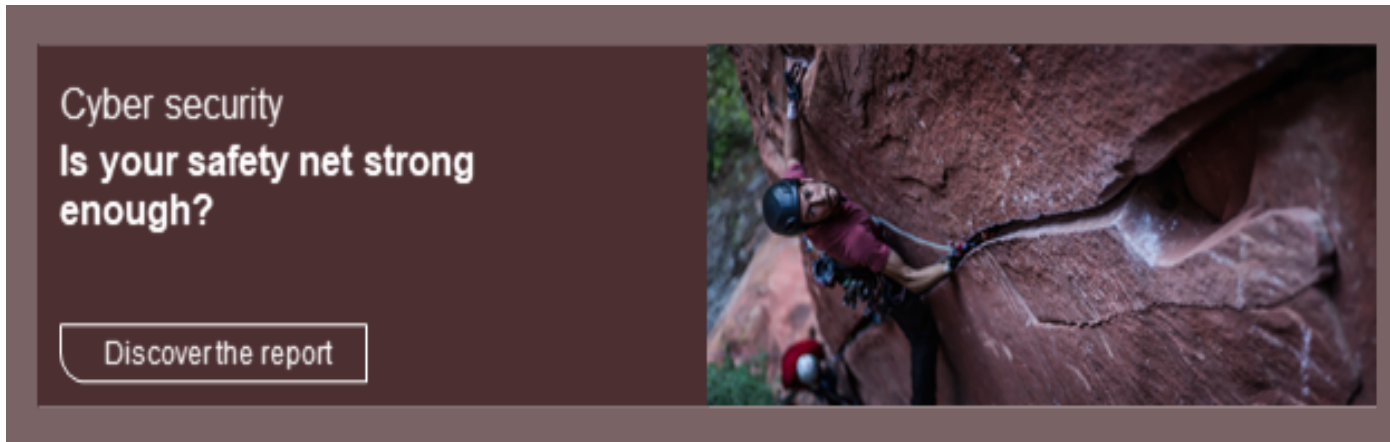
Definitions of Recommendations		
Priority	Definition	Action required
High (Fundamental)	Significant weakness in governance, risk management and control that, if unresolved, exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed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

A4 Cyber Security: Is your safety net strong enough?

Mazars conducted a survey of more than 1,000 executives worldwide last December for our annual C-suite barometer emphasised how cyber security is now a major preoccupation among corporate leaders.

More than half of the respondents told us that cyber risks have increased in the past year, and more than one-third are bracing for data breaches in the next 12 months. Yet the same survey showed that top management has a level of confidence in their own company's ability to withstand attacks that may seem surprising, perhaps even paradoxical.

Do they know something their own IT departments don't? Probably not. Yet these findings suggest that cyber security has now become a delicate balancing act for many businesses, akin to a tightrope walk: yes, it's perilous, but the important thing is to build a strong safety net that can cushion any eventual fall.



Cyber security
Is your safety net strong enough?

Discover the report

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