

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 22 September to 11 November 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.

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

Contact Person: Graeme Clarke, Partner, Mazars LLP
E-Mail: graeme.clarke@mazars.co.uk

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

Date Published: 16 November 2022

Implications

Financial and Risk

There may be 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 September to November 2022 Period
November 2022

Contents

01 Introduction	1
02 Internal Audit Progress	1
03 Audit Reports Issued	1
04 Follow-Ups	2
05 Other Matters	2
A1 Current Progress – 2022/23 Plan	4
A2 Definitions of Assurance	5
A3 Statement of Responsibility	7
Contacts	8

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. Further details are provided in Appendix A3, “Statement of Responsibility”.

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 since the last Committee in October 2022:

- 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 22 September to 11 November 2022.

02 Internal Audit Progress

Of the 18 internal audits included in the 2022/23 Plan, we initially scheduled two in Q1, two in Q2, seven in Q3 and seven in Q4. As previously reported in September to the Committee, the Business Planning audit was deferred to 2023/24. In addition, we planned a Health & Safety audit in Q3. However, the main H&S Officer left the Council and the team are currently working with an Agency/Temporary staff arrangement. Following discussions with the Head of HR and the Finance Director, we have agreed to defer this work to 2023/24 until a permanent role is appointed.

The table below provides a summary of progress of the remaining audits included in the 2022/23 Plan:

Audit Status	Number of reviews	Percentage %
Finalised	1	6%
Draft	1	6%
Fieldwork in progress	3	19%
Not yet started	11	69%
Total	16	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. Further details on these categories is included at **Appendix A2**.

In our previous Progress Report for September 2022, we highlighted three 2021/22 Plan reports at draft stage (Risk Management, Cyber Security and Capital Programme). All three have now been finalised. The table below shows the reports issued in the period:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
2021/2022 Internal Audit Plan				
Risk Management	Moderate		4	1
Cyber Security	Limited	-	8	1
Capital Programme	Moderate	-	3	-

2022/2023 Internal Audit Plan				
Corporate Governance Arrangements	Substantial*	-	1	-
Total		-	16	2

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

As mentioned in the previous progress report, there is one advisory 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. Given the time since this review, which was undertaken after the initial phase of Covid, the position on the report will be reviewed to consider how it can be appropriately finalised ahead of the next Committee meeting.

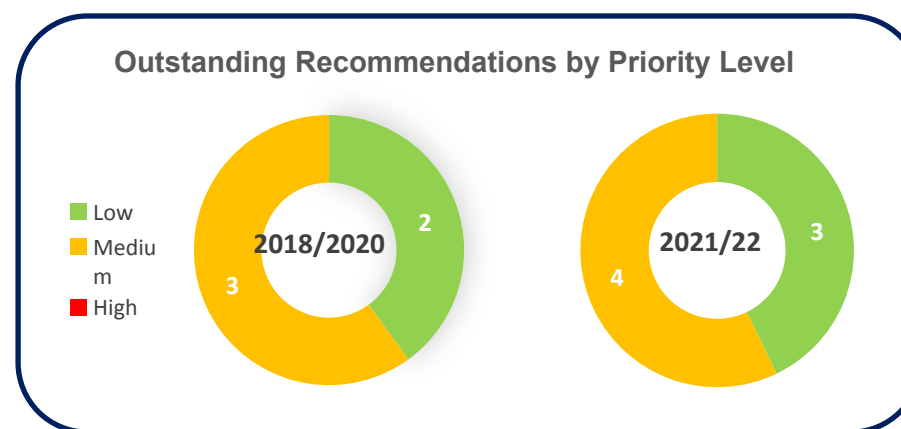
Internal Audit categorises recommendations as High, Medium, or Low priority to differentiate between the recommendations made. These categories give management an indication of the importance and urgency of implementing the recommendations.

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 11 November 2022, there are 12 recommendations in Action Management which have past their initially agreed implementation dates. There are a further ten recommendations that were raised but within the agreed timescales for implementation and therefore not reviewed. Priorities for overdue recommendations are as follows:



There are no high-priority recommendation outstanding. Historic recommendations from Counter Fraud and Empty Homes were reviewed and agreed to be implemented by December 2022 as previously reported to this Committee.

We shared a report listing all recommendations raised to the Finance Director on 8 November 2022, ahead of the previously planned Committee Meeting. All relevant Officers and CLT Members 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.

05 Other Matters

At Mazars, we support the public and social sector by providing solutions and services that help organisations meet their challenges. We are committed to providing the insight and innovation that helps make informed decisions and deliver objectives.

In June 2021, we hosted a discussion forum for local authority Audit Committee Members, in which our team considered the role and purpose of an Audit Committee. This was followed by a panel discussion, in which

Mazars experts were joined by Audit Committee members from two London boroughs.

We aim to hold another forum in November 2022, and further details about joining this session will be shared with the Chair and Members in due course. If you would like any more information on the webinar or would like to take part in the next session, please get in touch with us.

[Audit Committee webinar for local authorities - Mazars - United Kingdom.](#)

A1 Current Progress – 2022/23 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Corporate Debt Recovery	Final	Moderate	-	3	-
Corporate Governance Arrangements	Draft*	Substantial	-	1	-
Disabled Facilities Grant	Fieldwork Complete	-	-	-	-
HR – Recruitment and Retention	Fieldwork in progress	-	-	-	-
Housing Stock – Gas Safety Compliance	Starts 21/11/2022	-	-	-	-
Key Financial Systems – AP, GL, NNDR and Council Tax	Starts 28/11/2022	-	-	-	-
Contract Management – Savills	Starts 09/01/2023	-	-	-	-
Community Safety	Starts 09/01/2023	-	-	-	-
Sheerwater Regeneration Project	Starts 16/01/2023	-	-	-	-
Thameswey Group Companies	Starts 30/01/2023	-	-	-	-
Commercial and Investment Property Portfolio	Starts 06/02/2023	-	-	-	-
Waste Management	Starts 06/02/2023	-	-	-	-
Victoria Square	Starts 20/02/2023	-	-	-	-
Environmental Health Inspections	Starts in Q4	-	-	-	-
Business Planning	Deferred to 23-24	-	-	-	-
Health & Safety	Deferred to 23-24	-	-	-	-
IT					
IT Disaster Recovery	Fieldwork in progress	-	-	-	-
Office 365	Starts in Q4	-	-	-	-
Total			0	4	0

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

A2 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.

A3 Statement of Responsibility

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 rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpreted amendment and/or modification by any third party is entirely at their own risk

Contacts

Graeme Clarke

Partner, Mazars

graeme.clarke@mazars.co.uk

Juan Fosco

Manager, Mazars

juan.fosco@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 44,000 professionals – 28,000 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