

## 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 11 November 2022 to 10 February 2023.

### 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 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 November 2022 to February 2023 Period**  
February 2023

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## ***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.

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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 since the last Committee in November 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 11 November 2022 to 10 February 2023.

## 02 Internal Audit Progress

During this reporting period, we continue to meet with the Finance Director every month to discuss progress and any particular issues. Our last meeting was held on 8 February 2023. We have also met with the Lead Reviewer for the DLUHC Rapid Review on 2 February.

Also in this reporting period, we have met with CLT members individually to develop our IA Plan for 2023/24, which will be presented in a separate paper to this Committee.

As previously reported to the Committee in November 2022, the Business Planning and Health & Safety audits were deferred to 2023/24. In addition, we could not start the following work as planned in Q4:

- Thamesway Group Companies: This was deferred due to the ongoing external audit and business planning work being prioritised. Following discussions with the Finance Director, we will undertake this work in Q2 of 2023/24.
- Community Safety: The Operational Manager became unavailable at short notice for an extended period. We agreed with the Finance Director to include this audit in our 2023/24 activity.
- Victoria Square: Given the Department for Levelling Up, Housing and Communities (DLUHC) rapid review into the Council's finances, investments and related governance, resources were unavailable to assist our work. We agreed with the Strategic Director for Corporate Resources that this work will be undertaken in Q2 of 2023/24.
- IT Office365: Given the unforeseen circumstances in the Council's ICT Team, we have agreed to defer this work to our 2023/24 activity.

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

Audit Status	Number of reviews	Percentage %
Finalised	2	17%
Draft	2	17%
Fieldwork in progress	6	50%
Not yet started	2	16%
<b>Total</b>	<b>12</b>	<b>100%</b>

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 are included in **Appendix A3**.

In our previous Progress Report for November 2022, we highlighted one report at draft stage (Corporate Governance). This has now been finalised. The table below shows the reports issued in the period:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
<b>2022/2023 Internal Audit Plan</b>				
Corporate Governance Arrangements	Substantial	-	1	-
DFG	Moderate*	-	4	2
HR – Recruitment & Retention	Limited*	1	4	3
<b>Total</b>		<b>1</b>	<b>10</b>	<b>5</b>

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

As the previous progress report mentioned, one advisory report from the 2020/21 Plan is outstanding as a 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, we have taken this report as agreed and finalised.

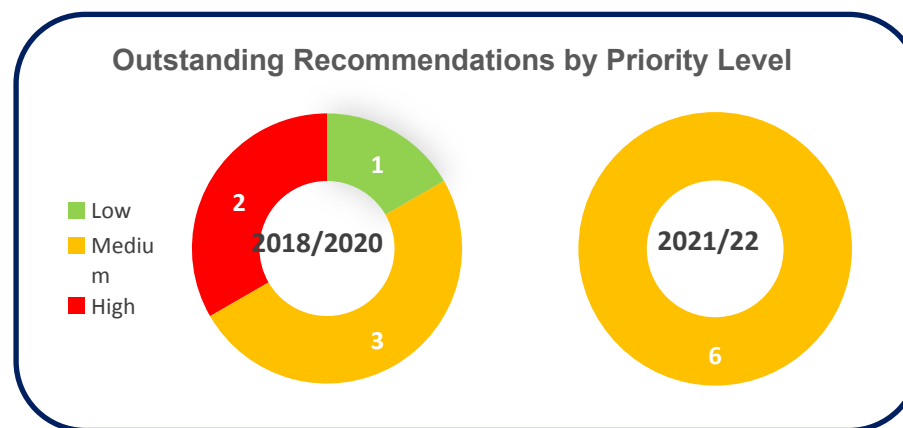
Internal Audit categorises recommendations as High, Medium, or Low priority to differentiate between the recommendations made. These categories give management an indication of the importance and urgency of implementing the recommendations.

As shown in the table above, one High Priority recommendation was 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 10 February 2023, there are 12 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:



Two high-priority recommendations are outstanding, which relate to historic recommendations from the Counter Fraud audit report, which were agreed to be implemented by December 2022, as previously reported to this Committee.

Six out of the nine medium-priority recommendations relate to the Temporary Accommodation audit completed in 2021/22 with recommendations agreed to be implemented by December 2022.

We shared a report listing all recommendations raised to the Finance Director and CLT on 16 February 2023, ahead of the Committee Meeting. All relevant Officers or Corporate Leadership Team (CLT) Members assigned to implement all outstanding recommendations were reminded to update the Action Management System with progress.

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

## 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 December 2022, we hosted an APEX Members meeting which was followed with communications on our 2023 Horizon Scanning report. This report looks at some of the challenges faced in 2022 and the new threats and opportunities for the upcoming year. Some of the themes covered in the report include:

- Economic challenges - including the cost-of-living crisis
- Work force crisis - recruitment and retention
- Social housing - housing stock, consumer regulation and diverse tenant needs
- Political uncertainty - impact of the change in key leadership roles and government policy
- Sustainability - meeting Net Zero targets

Also in December 2022, we hosted a discussion forum for local authority

Audit Committee Members, in which our team considered the role and purpose of an Audit Committee.

Our team of experts have put together two videos which we hope will help. In the first recording, The Role of the Audit Committee, experts at Mazars explain what audit committee members need to be aware of, how to develop a strong and effective Audit Committee and what questions you should be asking so that an Audit Committee helps public bodies develop good governance, ethical values, effective financial management and reporting to build and maintain public trust and confidence.

In the second video, The Role of the Audit Committee – Panel discussion by Audit Committee members our external panellists of Audit Committee members discuss areas including: how to create a successful Audit Committee, the positive impact their role has on the organisations they work with in the areas of effective financial management, governance and member recruitment, training, and retention.

[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	Final	Substantial	-	1	-
Disabled Facilities Grant	Draft*	Moderate	-	4	2
HR – Recruitment and Retention	Draft*	Limited	1	4	3
Housing Stock – Gas Safety Compliance	Fieldwork Complete	-	-	-	-
Key Financial Systems – AP, GL, NNDR and Council Tax	Fieldwork	-	-	-	-
Contract Management – Savills	Fieldwork	-	-	-	-
Sheerwater Regeneration Project	Fieldwork	-	-	-	-
Commercial and Investment Property Portfolio	Fieldwork	-	-	-	-
Environmental Health Inspections	Starts 20/02/2023	-	-	-	-
Waste Management	Starts 27/03/2023	-	-	-	-
<b>Business Planning</b>	<b>Deferred to 23-24</b>	-	-	-	-
<b>Health &amp; Safety</b>	<b>Deferred to 23-24</b>	-	-	-	-
<b>Community Safety</b>	<b>Deferred to 23-24</b>	-	-	-	-
<b>Thamesway Group Companies</b>	<b>Deferred to 23-24</b>	-	-	-	-
<b>Victoria Square</b>	<b>Deferred to 23-24</b>	-	-	-	-
<b>IT</b>					
IT Disaster Recovery	Fieldwork in progress	-	-	-	-
<b>Office 365</b>	<b>Deferred to 23-24</b>	-	-	-	-
<b>Total</b>			<b>1</b>	<b>12</b>	<b>5</b>

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



## A2 Outstanding High Priority Recommendations (Past Implementation Date)

Counter Fraud 2019/20					
Ref	Observation/Risk	Recommendation	Priority	Management Response	Timescale and Responsibility
1	<p>Fraud risk identification is essential in order to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the Council and its service users.</p> <p>Although it was apparent that staff involved in counter fraud work are aware of fraud risks facing the Council, how they may occur and how they should be managed, the Council has not undertaken a formal fraud risk assessment.</p> <p>Where a fraud risk assessment is not undertaken, the Council may not be directing its counter fraud activity at the areas of greatest risk. Without a risk assessment and also a low number of reported cases of fraud, this may provide a false impression on the prevalence of fraud.</p>	<p>A fraud risk assessment should be undertaken so as to provide a basis for prioritising counter fraud activity. 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>	High	<p>Agreed. A Fraud risk assessment will be completed to inform future counter fraud work.</p> <p><i>February 2023:</i></p> <p>The work previously being discussed with Reigate/Oxford has stalled. Contact has recently been made to re-engage the team to progress this work. It is envisaged that this can be included within the Fit for the Future programme to be funded by Flexible Use of Capital receipts which will be reported to the Executive in March.</p>	<p>31 March 2020</p> <p>Director of Finance</p> <p><b>Revised timescale:</b></p> <p>30 June 2023</p>
2	<p>Organisations require a counter fraud strategy to set out their approach to managing fraud risks and defining responsibilities for action.</p> <p>Although the Council has an Anti-Fraud and Corruption Policy, a Counter Fraud and Corruption</p>	<p>A Counter Fraud and Corruption Strategy should be developed to address the fraud risks identified (see recommendation 1). 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.</p>	High	<p>Agreed, once the risk assessment (recommendation 1) has been completed, a Counter Fraud and Corruption Strategy will be prepared.</p>	<p>30 June 2020</p> <p>Director of Finance</p>

Counter Fraud 2019/20

Ref	Observation/Risk	Recommendation	Priority	Management Response	Timescale and Responsibility
	<p>Strategy has not been developed setting out the Council’s approach to managing the risk of fraud.</p> <p>The Local Government Transparency Code 2015 requires the annual publication of data relating to the Council’s counter fraud work; however, we were unable to locate any transparency data related to fraud.</p> <p>Where the Council does not have a Counter Fraud and Corruption Strategy, actions, responsibilities and accountability may be unclear. As a result, the fraud risks the Council is exposed to may not be managed effectively.</p>	<p>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>A report should be prepared for CMG and the Standards and Audit Committee (or another suitable committee) at least annually on performance against the counter fraud strategy.</p> <p>The Council should also comply with the Local Government Transparency Code 2015 requirement to publish data relating to the Council’s counter fraud work.</p>		<p><i>February 2023:</i></p> <p>The work previously being discussed with Reigate/Oxford has stalled. Contact has recently been made to re-engage the team to progress this work. It is envisaged that this can be included within the Fit for the Future programme to be funded by Flexible Use of Capital receipts which will be reported to the Executive in March.</p>	<p><b>Revised timescale:</b></p> <p>30 June 2023</p>

## 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 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.

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