

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 February 2022 to 8 September 2023.

Recommendations

The Committee is requested to:

RESOLVE That the report be received and progress against the 2023-24 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 March to September 2023 Period
September 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. 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 A4, "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 2023/24 Internal Audit Plan (Plan) on 2 March 2023. However, as suggested in the March 2023 Committee meeting, we have revisited the Plan for 2023/24 considering the Council's current situation and challenges. A separate report has been prepared for Members on this item.

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 2023/24 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 February 2023 to 8 September 2023.

02 Internal Audit Progress

Further to 01, following the outcomes of the Department for Levelling Up, Housing and Communities (DLUHC) review, and the Council's Section 114 Notice (s114) in June 2023 in response to the authority's unprecedented financial challenges, a separate report has been prepared for the Committee to consider and approve the revised 2023/24 IA Plan.

As part of this process, we have met with the Interim Director of Finance (Section 151 Officer) to consider areas where Internal Audit resources are best focused, deprioritising other work where risks are not linked to the Council's current situation.

It was agreed that the focus of Internal Audit should be weighted towards financial and expenditure controls, income collection and key financial systems reviews given the challenges faced by the Council at this time.

Before revisiting and amending the 2023/24 Plan, we conducted work in two areas initially included in the initial Plan, these are related the implementation of Office365 and Housing Rents Collection, on both, we have completed the fieldwork.

The table below provides a summary of the progress of the remaining audits included in the original 2023/24 Plan (pending consideration of the revised Plan at this meeting):

Audit Status	Number of reviews	Percentage %
Finalised	0	0%
Draft	1	7%
Fieldwork in progress	1	7%
Not yet started	11	84%
Total	13	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 are included in **Appendix A3**.

In our previous Progress Report for March 2023, we highlighted two reports at draft stage (DFG and HR – Recruitment and Retention). These have now been finalised. The table below shows the reports issued in the period:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
2022/2023 Internal Audit Plan				
DFG	Moderate	-	2	1
HR – Recruitment & Retention	Limited	1	4	3
Housing Stock - Gas Safety	Unsatisfactory	3	8	-
Environmental Health Inspections	Limited	-	5	-
Waste Management	Substantial	-	-	-
Sheerwater Regeneration Project	Limited*	3	-	-
KFS – AP, GL, NNDR and Council Tax	N/A*	-	9	4
Contract Management - Savills	Limited*	4	1	-
Commercial Property Estate – Management, Acquisitions, Disposals and Rents	Limited*	4	4	1
2023/2024 Internal Audit Plan				

IT – Office365	N/A*	-	7	9
Total		15	22	18

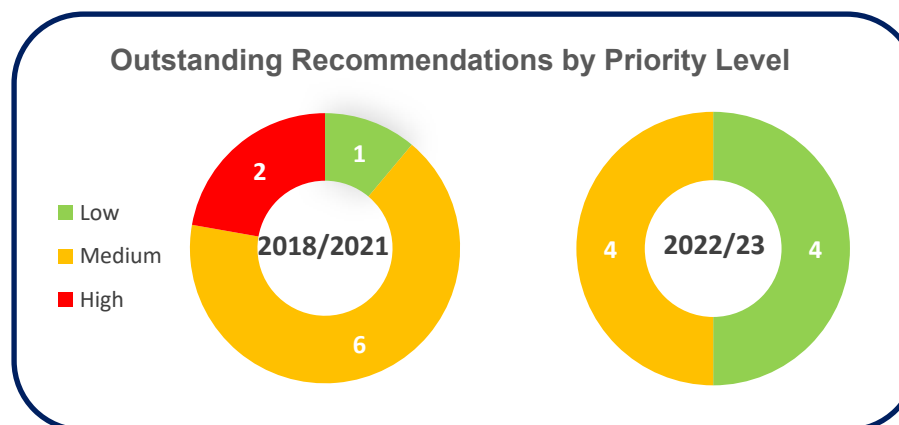
* Draft reports currently awaiting management responses, which may lead to changes in content, including assurance levels and/or recommendations

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, 15 High Priority recommendations were raised. However, 11 are from draft reports and can be subject to change. Further details of recommendations raised from finalised reports can be found in the summary reports for each audit provided separately to Members.

04 Follow-Ups

As of 8 September 2023, there are 17 recommendations which have past their initially agreed implementation dates. There are a further 30 recommendations that were raised but within the agreed timescales for implementation and, therefore, not yet 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.

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.

A1 Current Progress – 2023/24 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Housing - Rent Collection	Fieldwork	-	-	-	-
Accounts Payable (Creditors)**	To start in October 2023	-	-	-	-
Accounts Receivable (Debtors)**	To start in October 2023	-	-	-	-
Council Tax**	To start in November 2023	-	-	-	-
Business Rates**	To start in November 2023	-	-	-	-
Payroll**	To start in November 2023	-	-	-	-
Income Management and Systems Reconciliations**	To start in December 2023	-	-	-	-
Pension Fund Administration**	To start in January 2024	-	-	-	-
Group Companies**	To start in February 2024	-	-	-	-
Victoria Square Development	Merged with Group Companies Work				
Community Safety	Proposed to deprioritise				
Key Financial Control Testing – Accounts Payable, Accounts Receivable, General Ledger, NNDR, Council Tax and Payroll	Included as standalone/individual audits				
Health and Safety	Proposed to deprioritise				

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Business Planning/Woking for All Strategy	Proposed to deprioritise				
Housing – Voids Process and Performance	Proposed to deprioritise				
Project Planning	Proposed to deprioritise				
Savings Plan, Monitoring of Budgets (including MTFS)	Work being undertaken with external consultants				
Information Governance	Proposed to deprioritise				
Parking Services – Off Street	Proposed to deprioritise				
IT					
Office 365	Draft*	-	7	7	9
Application Lifecycle Management	Starts in December 2023	-	-	-	-
Total			0	7	9

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

** New areas proposed as part of the revised 2023/24 IA Plan.

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>Revised timescale:</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 December 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>Revised timescale:</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 Other Matters

Fiscal pressure & inflation challenges for the public & social sector – 23/24 survey

Against a backdrop of political uncertainty, unprecedented strike action and the prevailing cost of living crisis – itself a consequence of the conflict in Ukraine among other factors – many of the UK's most vulnerable communities are at risk of becoming more marginalised and desperate. In response, we sought to understand how the public sector plans to support vulnerable people, communities, and service users in 2023/24.

Key Findings at a Glance

1. Supporting vulnerable communities is a public and social sector imperative: The public sector is taking proactive steps to strengthen support and service delivery to deprived communities, but could more be done to safeguard vulnerable citizens?

To support people, communities, and service users, 61% said they are seeking new funding/income streams to maintain services; and 54% said they are reassessing the breadth and depth of services. In particular, respondents highlighted the creation of hardship funds, diversion of critical services, and streamlining of internal processes.

81% said lack of funding; 67% said lack of staffing resources; and 46% said focus on short term not long term all pose the greatest barrier to supporting vulnerable people and communities.

2. Innovation and collaboration are key enablers in the fight against financial constraints: As the public sector moves to meet rising demand with renewed vigour, what role will innovation and collaboration play in the fight against poverty?

The majority of public sector organisations are looking externally for support and solutions, with 90% agreeing that external collaboration could strengthen their response to deep-running fiscal challenges and 87% of respondents positive that engaging with third parties could improve efficiency and productivity organisation wide. There were similar reflections about the importance of leveraging internal networks, with 83% of respondents agreeing that staff collaboration across their organisation, e.g. cross-departmental, would improve efficiency and productivity. Organisations are therefore advocating a unified approach, which values the existing workforce's skills and insight, and supplements this with external perspectives to diversify thinking and continually improve.

Both innovation and technology were identified as potential opportunities for improved service delivery. Respondents highlighted the need for digital transformation strategies, sharing good practice, and using artificial intelligence to identify the people and communities most at risk. Efficient and digitised services have the potential to free up resources and there was a particular spotlight on self-help tools for their dual function in creating capacity and empowering citizens.

3. The Public and social sector must redefine its place in an evolving economic landscape: Many service providers are still thinking short-term. How can we ensure public services are future fit, and what will the biggest priorities be over the next 12-24 months?

Organisations referred to targeting priorities across both key inputs (31% securing funding; 41% continuous employee wellbeing and development) and outputs (54% improving citizen/service user experience; 45% supporting local communities to cope with rising living costs).

Public sector organisations remain alert to issues on the external horizon that could impact success, with uncertainty both in relation to energy costs and inflation (90%) and the current UK political landscape (79%) being a key concern for most respondents. Instability in the workforce completed the top three concerns, with 77% of organisations responding that higher level skills shortages were having a high (43%) or medium (34%) impact.

These themes are consistent with previous findings – employees need to be nurtured, new funding streams secured, and significant efficiency gains made. Upstream investment in people and relationships should intrinsically support the achievement of outputs and outcomes, maximising medium to long term impact. However, our survey suggests the sector needs an injection of confidence that there will be the financial and political security to deliver this success.

[Our full report of the survey and responses can be downloaded for free from our website.](#)



A5 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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