

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 required that Internal Audit provide a quarterly report on internal audit progress and key findings to the Committee.

This report covers audit activity and performance from 6 November 2023 to 28 March 2024.

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 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 risk management.

Human Resources and Equalities

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

Legal

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



Woking Borough Council - Internal Audit Progress Report
For November 2023 to March 2024 Period
March 2024

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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 purpose of this report is to provide the Committee with an update on Internal Audit Activity during the period as follows:

- An update on progress in delivering the revised 2023/24 internal audit plan since the last Committee at which internal audit matters were reported in November 2023;
- A summary of any Limited/Unsatisfactory Assurance reports issued and high-priority recommendations raised since then; and
- An update on follow-up activity including progress made towards the resolution of IT issues encountered with the Council's action tracking system.

This report covers internal audit activity and performance from November 2023 to March 2024.

02 Internal Audit Progress

The revised Plan 2023/24 was presented and approved in the September 2023 Committee meeting. This was revised to focus Internal Audit towards financial and expenditure controls, income collection and key financial systems reviews in context of the outcome of the Department for Levelling Up, Housing and Communities (DLUHC) review and Section 114 Notice (s114) in June 2023.

The revised 2023/24 Plan comprised 11 audits and 257 audit days. This includes 30 days for IT audit and 30 days for the Head of Internal Audit role. Work is progressing per the revised Plan with the following exceptions:

- The Pension Fund Administration audit was due to start in January

2024. However, due to resource constraints for the service and its relatively lower risk in comparison to other priority areas in the Plan, the Interim Director of Finance & s.151 Officer requested the work be deferred for consideration within the Plan 2024/25. Discussions with CLT have since highlighted that the area is not within the control of the Council and have limited impact.

- Additionally, Internal Audit have been requested by the Interim Director of Finance to defer the Group Companies internal audit which was due to start in February 2024. Service changes within the area following a strategic review of the group structure and new arrangements being implemented were among the reasons provided. In the context of this area being deferred in the prior year Plan, discussion has also taken place with the Chair of the Committee. It is therefore proposed, subject to agreement of this Plan, that the review would be carried out as a high priority area in Q1.

The table below provides a summary of the progress of the audits included in the revised Plan:

Audit Status	Number of reviews	Percentage %
Finalised	1	10%
Draft (Issued)	4 [^]	40%
Draft (QA)	1	10%
Fieldwork in progress	1	10%
Not yet started	1	10%
Request to be deferred to 2024/25	2	20%
Total	10	100%

[^] Council Tax & Business Rates whilst separate audit areas in the Plan were issued as a single draft report.

Further details on the audits, progress, and timing are included in **Appendix A1**.

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 last Progress Report for November 2023, we highlighted three reports from 2022/23 at draft stage as follows:

- Sheerwater Regeneration Project - This report has now been issued as final.
- Commercial Property Estate - A meeting was held between the Mazars Internal Audit Manager, Strategic Finance Advisor and Strategic Asset Manager in November 2023 to discuss this draft report and initial management responses. However, no further updates have been received since this meeting.
- Savills Contract Management - No management comments have been received to date.

A fourth draft report arising from the IT Disaster Recovery audit was also issued in December 2023. Management comments were in March 2024 and the report has now been finalised. Annex 2 summarises 2022/23 overdue reports.

There are four reports for 2023/24 that remain in draft at the time of writing this report. These have been followed up with auditees as well as escalated centrally. The table below shows the reports issued in since September 2023.

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
2023/24 Revised Plan				

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
IT – Office 365	N/A - Advisory	-	7	9
Housing - Rent Collection	TBC – Draft*			
Council Tax and Business Rates	TBC – Draft*			
Income Management and Systems Reconciliations	TBC – Draft*			
Payroll	TBC – Draft*			
Total		-	7	9

**Draft reports awaiting management responses.*

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, the four reports issued within the period are all in draft. As requested by the Strategic Financial Adviser, the assurance opinions and recommendations raised are not shown for draft reports until finalised. The table will be updated in future reports once they have been issued in final. Further details of recommendations from any finalised reports can be found in the summary reports for each audit provided separately to CLT and Committee Members.

04 Follow-Ups

Background

Since our last progress report, the Council's Action Management system was migrated from SharePoint on premise to an online environment in October 2023.

Although the system's capabilities remain the same, the data migration meant that recommendations in the former platform had to be marked as

'closed' for migration purposes. This also meant that during this process, Officers responsible for implementing recommendations could not update the systems with updates for any due recommendations.

Internal Audit were granted access to the new system on 8 November 2023. However, the access given has not allowed us to perform any changes to the system or edit/create case files and upload recommendations since. Consequently, follow up work which has been scheduled to commence in January 2024 could not go ahead.

Current Situation

Following a commitment by the Corporate Strategy Manager to address the issue, data from the system has now been extracted. This has enabled us to carry out a consolidation exercise in March 2024. The work involved the review and consideration of actions that were marked as closed to determine whether evidence of implementation had been provided.

As a result of this work, we have compiled a definitive position of outstanding, implemented and overdue recommendations. These are outlined in a Follow Up Tracker document which has been shared with the Council.

Next Steps

The Corporate Strategy Manager has confirmed that the Follow Up Tracker document will be reviewed by the Council during Q1 of 2024/25. The review will involve consideration of each outstanding action, confirming which of these have been actioned and marking them accordingly. Once the Council has established a definitive position of completed actions, Mazars will undertake a formal follow up review during Q2. This will be reported to the next CLT and a subsequent Committee meeting. A rolling quarterly follow up programme can then be resumed.

Moving forward beyond the 2024/25 year, the Corporate Strategy Manager has further confirmed that work is required to create an IT solution for tracking and monitoring actions. The tool will be essential in providing update reports to the quarterly deep-dive meetings. This solution does not need to be complex or expensive; options can be utilised from the existing 'Microsoft Stack' of applications. Work to build the option and migrate the

information will take some planning and will be carried out by the Council at a timeframe to be agreed.

05 Performance Management

Since the last progress report, the following steps have been agreed and implemented. The objective will be to enable the Council to apply greater corporate focus to internal audit, re-set the relationship with Mazars and enhance accountabilities for all aspects of the service.

The actions below build on the work already initiated by the Interim Director of Finance & Section 151 Officer.

1. Introduction of Quarterly Assurance Deep-Dive Meetings (Completed)

Quarterly Assurance Deep-Dive meetings have now been diarised for CLT and Commissioners. Reports will be produced by Internal Audit for these meetings that:

- a) Outline progress against the approved audit timetable;
- b) Assess the completion of actions resulting from audit recommendations.

This process will highlight any issues and/or delays, and strengthen accountability for both Mazars (fieldwork, report preparation) and Council officers (prompt supply of information, management comments, action completion).

2. Review/Update the Council's Audit Landscape (Underway)

Mazars have been requested to reshare all audit reports and Terms of Reference documents (ToRs) for the last two financial years with the Council. These will be mapped internally to enable the Council to obtain a full understanding of the audit landscape to make sure that its records are up to date.

3. Develop an improved working relationship with Mazars (Underway)

Bi-weekly meetings are in place between the Mazars Internal Audit Manager and the Corporate Strategy Manager. This is an opportunity to flag any

issues/concerns and work together to ensure that the contract is being managed effectively from both sides.

4. Undertake an ‘exemplar’ audit to re-set expectations (Underway)

It is recommended that the next planned audit (Accounts Payable) is initiated mid-April once internal/external resources have been aligned. The intention is that this audit becomes an exemplar in terms of speed of completion, monitoring, and reporting, and will provide a baseline moving forward.

5. Maintain a detailed audit plan that maps two financial years (Completed)

A detailed plan should be compiled and maintained that covers planned activity for both the 2024/25 and 2025/26 financial years. This approach will enable better forward planning and help the Council to be more strategic in setting its audit landscape.

A draft plan covering two years is included separately in the reports pack for this meeting for consideration and approval by the Committee.

A1 Current Progress – 2023/24 Revised Plan

Audit area	Progress	Issued	Lead Officer	Assurance Opinion	Recommendations		
					High	Medium	Low
Housing - Rent Collection	Draft*	December 2023	Simon Price, Interim Head of Housing Services	TBC	TBC	TBC	TBC -
Council Tax	Draft*	January 2024	Terry Stocks, Revenue Team Manager	TBC	TBC	TBC	TBC
Business Rates		January 2024	Yusuf Erol, Strategic Finance Manager				
Payroll	Draft*	January 2024	Amanda Jeffery, Head of HR	TBC	TBC	TBC	TBC
Income Management and Systems Reconciliations	Draft*	January 2024	Lorraine Elford – Finance Business Partner	TBC	TBC	TBC	TBC
Accounts Receivable (Debtors)	QA	TBC	Lorraine Elford – Finance Business Partner	-	-	-	-
Accounts Payable (Creditors)	Starts 19/04/24	TBC	Lorraine Elford – Finance Business Partner	-	-	-	-
Pension Fund Administration	Requested to Defer to 2024/25	-	-	-	-	-	-
Group Companies	Requested to Defer to 2024/25	-	-	-	-	-	-
IT							
Office 365	Final	November 2023	Adam Walther – Head of Digital Transformation	N/A - Advisory	-	7	9
Application Lifecycle Management	Fieldwork in progress – on track	TBC	Adam Walther – Head of Digital Transformation	-	-	-	-
Total					-	7	9

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

A2 Remaining Audits from 2022/23

Audit area	Progress	Issued	Lead Officer	Assurance Opinion	Recommendations		
					High	Medium	Low
Sheerwater Regeneration Project	Final	February 2024	Louise Strongitharm, Strategic Director: Communities	Limited	3	-	-
Commercial Property Estate	Draft*	June 2023	David Loveless, Assistant Director (Property)	TBC	-	-	-
Savills Contract Management	Draft*	July 2023	Giorgio Framalico, Strategic Director (Place)	TBC	-	-	-
Disaster Recovery	Final	December 2023	Anita Flavell, ICT Manager	Limited	-	3	4
Total					3	3	4

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 exposes the organisation to an unacceptable level of residual risk if unresolved.	Remedial action must be taken urgently and within an agreed timescale.
Medium (Significant)	Weakness in governance, risk management and control that exposes the organisation to a high level of residual risk if unresolved.	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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