

Woking Borough Council

Internal Audit Annual Report 2023/24

Prepared by: Forvis Mazars LLP

Date: 6 June 2024



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Disclaimer

This report ("Report") was prepared by Forvis Mazars LLP at the request of Woking Borough Council (the 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.

The Report was prepared solely for the use and benefit of the Council and to the fullest extent permitted by law Forvis 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. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.

Appendices

A1 Definitions of Assurance

01 Introduction

Internal Audit services to Woking Borough Council (the Council) are provided by Forvis Mazars LLP through the APEX framework with Croydon Council.

The purpose of internal audit is to provide the Council, through the Audit and Governance Committee (Committee) and the Director of Strategic Finance (as the Chief Finance Officer), with an independent and objective opinion on risk management, control and governance and their effectiveness.

This Annual Report covers the internal audit work we have undertaken in respect of the Internal Audit Plan for 2023/24 (Plan) and incorporates our internal audit opinion. It forms part of the framework of assurances received by the Council and should be used to help inform the Annual Governance Statement within the Financial Statements. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance, and control.

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

Performance against the Internal Audit Plan

The Committee considered and approved the Plan at its meeting on 2 March 2023. However, in response to the Council's financial situation, a revised version was presented to and approved by the Committee on 21 September 2023. The revised version was designed to focus Internal Audit activity 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 included 30 days for IT audit and 30 days for the Head of Internal Audit role.

There were two Q4 audits removed from the Plan at the request of the relevant Heads of Service and reported to the Committee. The first one related to the planned review of Group Companies, which was deferred to the 2024/25 Plan due to the implementation of a new governance framework for the companies. The Pension Fund Administration review was cancelled due to the limited involvement of the Council in its function, which is predominantly carried out by the Local Government Pension Scheme (LGPS).

At the time of drafting this report, there are four reports in draft stage. A summary of the reports we have issued is included in **Section 03** of this Report.

Appendix A2 describes the levels of assurance we have provided in assessing the control environment and effectiveness of controls, whilst defining the classification of our recommendations.



Acknowledgements

We are grateful to the Director of Strategic Finance, Strategic Financial Adviser, Corporate Strategy Manager and the Council's Directors and other staff throughout the Council as well as the Committee for the assistance provided during the year.

Sampling methodology

As part of our auditing methodology, we use a range of sampling techniques to provide a robust basis for our audit opinions. Where possible we favour conducting whole data set testing using data integrity analysis. Where this is not possible or practical, we look to conduct sampling through use of random number generators, stratified or systematic sampling as appropriate to ensure that our findings are both representative and relevant. Sample sizes are driven by the level of assurance being provided and where not dictated as part of the audit scope are at the discretion of the internal auditor in conjunction with the Engagement Manager.

02 Internal Audit Opinion

Scope of Opinion

In the capacity of the Head of Internal Audit, we provide an objective and independent assessment of the Council's governance, risk management, and control processes.

In giving our annual audit opinion, it should be noted that assurance can never be absolute. The internal audit service can provide to the Council a reasonable assurance whether there are major weaknesses in risk management, governance, and control processes.

The matters raised in this report are only those that came to our attention during our internal audit work or from the Council's current environment and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that may be required. In arriving at our opinion, we have taken the following matters into account:

- The results of all internal audits undertaken as part of the Plan;
- The results of follow up action in respect of previous internal audits;
- Whether or not any High or Medium Priority recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Committee;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the entire internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

Our opinion

On the basis of our audit work, our opinion on the framework of governance, risk management, and control is **Limited** in its overall adequacy and effectiveness. There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. The opinion provided in the 2022/23 report was Unsatisfactory.

The 2023/24 opinion has been provided within the context of the revised Internal Audit Plan from September 2023, which was specifically focussed on the Council's financial controls. It should be noted, therefore, that a broader view of the Council's internal controls, governance or risk management, will be obtained through the 2024/25 and 2025/26 Internal Audit Plans.

As part of our audit work, we have made recommendations to address issues identified. Each of these are subject to review by management with response. We have ensured that an appropriate action plan is in place. These are linked to the response so that issues and root causes are addressed, and risks are sufficiently mitigated. A summary of recommendations can be found at Section 03.

Reliance Placed on Third Parties

Internal audit has not placed any reliance on third parties in order to assess the controls operated by the Council. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

Follow Up

Internal audit recommendations are categorised according to priority (High, Medium, and Low). We request updates from management to monitor the status of implementation. The Council's Action Management system was migrated from SharePoint on premise to an online environment in October 2023. 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.

However, using data extracted from the system we carried out a consolidation exercise in March 2024 to compile a definitive position of outstanding, implemented and overdue recommendations. These are currently in the process of being reviewed by the Council to consider each outstanding action and confirm which of them has been actioned. We will undertake a formal follow up review during Q2 in 2024. Following this, a rolling quarterly follow up programme will be resumed.

03 Internal Audit Work Undertaken in 2022/23

The internal audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports issued to the Service and the Reports shared with Members.

At the time of writing this report, we undertook seven audit reviews in which an assurance rating was provided, covering the key controls identified within the revised Internal Audit Plan.. The results of this work are summarised below :

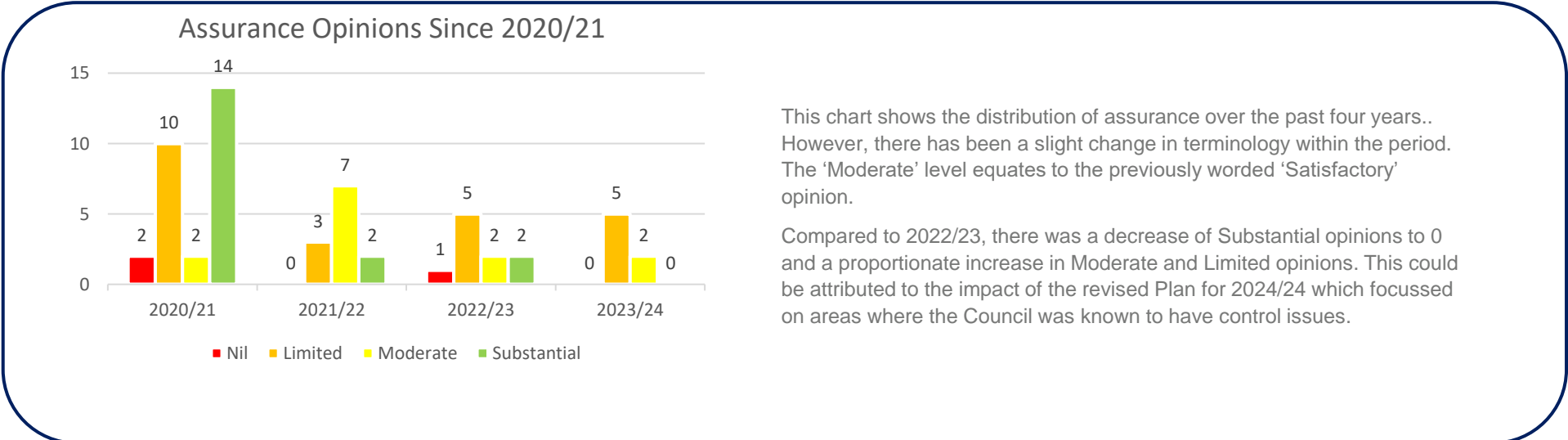
Audit area	Assurance level	Recommendations			
		High	Medium	Low	Total
Office 365	N/A - Advisory	-	7	9	16
Housing - Rent Collection	Limited	4	5	-	9
Council Tax and Business Rates**	Moderate	-	1	3	4
Payroll	Limited	1	2	2	5
Income Management & System Reconciliations*	Limited*	1	3	1	5
Application Lifecycle Management*	Moderate*	-	3	1	4
Accounts Receivable (Debtors)*	Limited*	2	3	5	10
Accounts Payable (Creditors)*	Limited*	1	6	1	8
Pension Fund Administration	Cancelled	-	-	-	-
Group Companies	Deferred to 2024/25.	-	-	-	-
Total		9	30	22	61

*Draft Report – Subject to Management Responses

** Two audits combined into a single report and opinion.

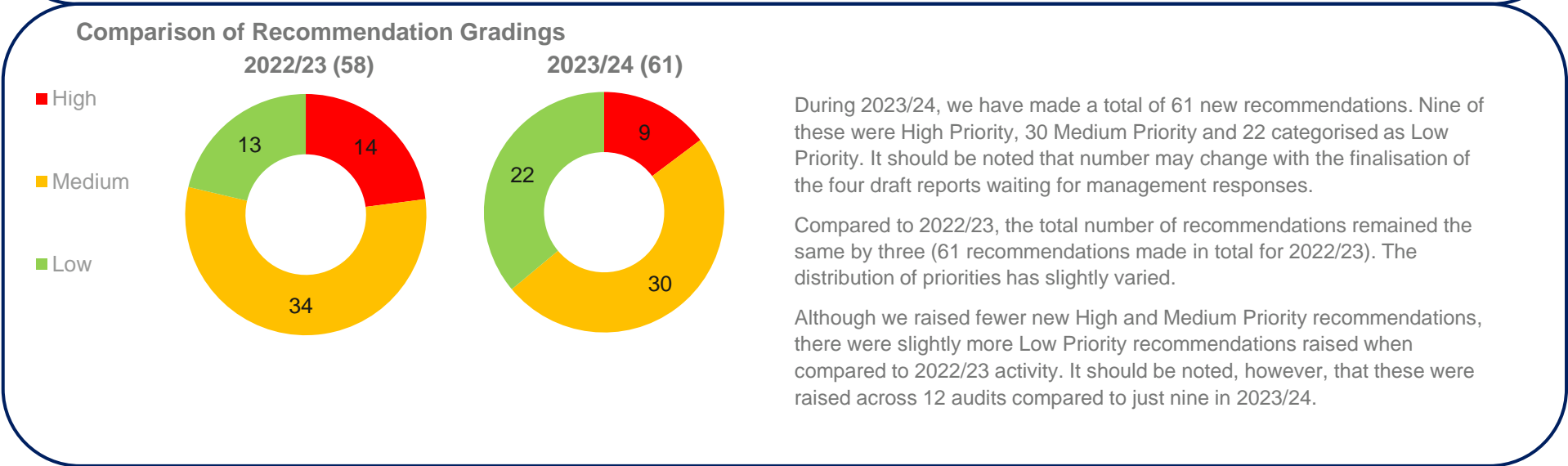
04 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at the Council.



This chart shows the distribution of assurance over the past four years.. However, there has been a slight change in terminology within the period. The 'Moderate' level equates to the previously worded 'Satisfactory' opinion.

Compared to 2022/23, there was a decrease of Substantial opinions to 0 and a proportionate increase in Moderate and Limited opinions. This could be attributed to the impact of the revised Plan for 2024/24 which focussed on areas where the Council was known to have control issues.



During 2023/24, we have made a total of 61 new recommendations. Nine of these were High Priority, 30 Medium Priority and 22 categorised as Low Priority. It should be noted that number may change with the finalisation of the four draft reports waiting for management responses.

Compared to 2022/23, the total number of recommendations remained the same by three (61 recommendations made in total for 2022/23). The distribution of priorities has slightly varied.

Although we raised fewer new High and Medium Priority recommendations, there were slightly more Low Priority recommendations raised when compared to 2022/23 activity. It should be noted, however, that these were raised across 12 audits compared to just nine in 2023/24.

05 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

Compliance with Professional Standards

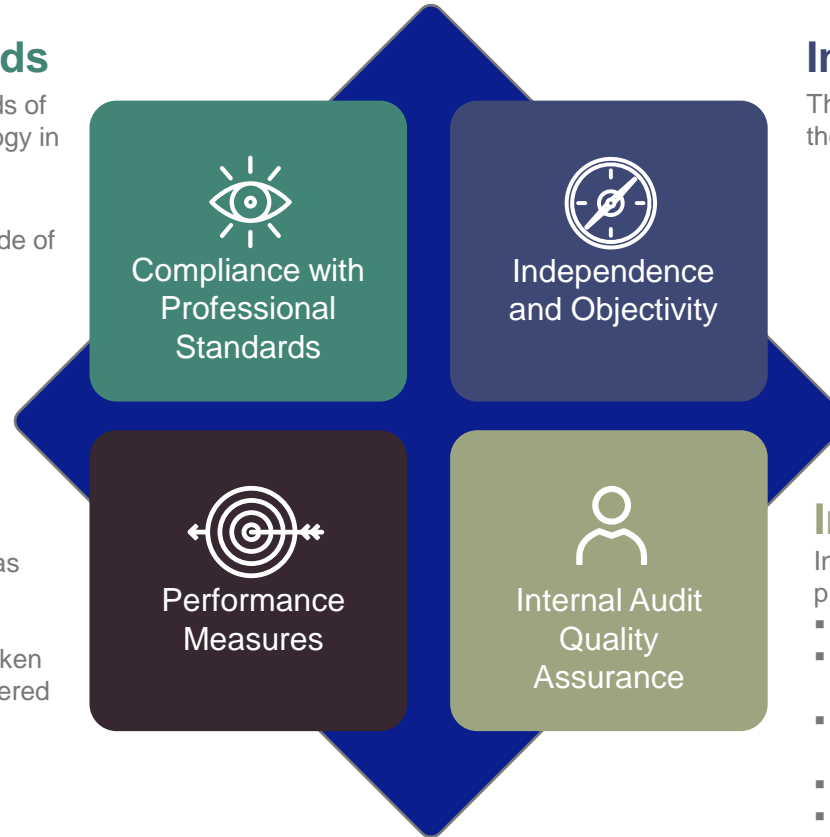
We employed a risk-based approach to determining the audit needs of the Council at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

Our work performed conforms to PSIAS which includes the Core Principles for the Professional Practice of Internal Auditing and Code of Ethics.

Performance Measures

Further to section 02, one review was deferred in year, and one was cancelled. All other reviews in the Plan have been completed..

Regular planned discussions on progress against the Plan have taken place with the Strategic Finance Manager and the Committee, covered by this Annual Report.



Independence and Objectivity

There have been no impairments to independence and objectivity during the year covered by this Annual Report.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Appendices

A1 Definitions of Assurance



A2 Definitions of Assurance

Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

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.

Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows:

Priority	Description
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low	Scope for improvement in governance, risk management and control.

Annual Opinion

For annual opinions we use the following classifications within our audit reports:

Opinion	Definition
Substantial	The framework of governance, risk management and control are 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.

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We take responsibility to Woking Borough Council 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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