

INTERNAL AUDIT PROGRESS REPORT

Executive Summary

Financial Regulation 2.8 requires that the Chief Finance Officer 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 8 July to 4 September 2021.

Recommendations

The Committee is requested to:

RESOLVE That the report be received and progress against the 2021-22 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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Woking Borough Council - Internal Audit Progress Report
For the July to September 2021 Period
September 2021

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Disclaimer

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

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01 Introduction

Financial Regulation 2.8 requires that the Chief Finance Officer (CFO) 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 Standards and Audit Committee approved the 2021/22 Internal Audit Plan (Plan) on 4 March 2021. 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 2021/22 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 8 July 2021 to 4 September 2021.

02 Internal Audit Progress

Our Internal Audit Plan for 2021/22 was considered and approved by the Committee on 4 March 2021. The Plan was for 321 days, including 30 days for IT audits and 24 days for the Head of Internal Audit role. The audits in the Plan comprised a mixture of key financial systems, service-specific (operational and financial), corporate-wide, and IT reviews.

From the 20 internal audits included in the 2021/22 Plan, four were originally scheduled in Q1, five in Q2, seven in Q3 and four in Q4. However, based on further discussions with CLT Members and audit sponsors to agree specific timings, there were three audits from the plan (allocated in Q1 and Q2) that will not be conducted as initially planned. These are:

- *Private Water Supplies*: following discussions with the Environmental Health Manager and the Senior Environmental Health Officer, we were advised there is limited active private water supplies in the Borough and as such there was limited activity to audit. This was further discussed with the CFO and it is proposed this audit/days be used for another priority area to be agreed with the Council.
- *Careline*: Due to the Council Officers workload and availability to receive this audit in Q2, the Health & Wellbeing Manager requested this audit to be deferred and undertaken later in the year. We discussed and agreed with the CFO that this audit will be re-scheduled to start in Q3.
- *Green Jump Surrey (Thameswey)*: booked initially to start on 31 August. This will be re-scheduled to begin later in the year due to the unforeseen absence of the allocated member of the IA Team.

The table below provides a summary of progress relevant to the 2021/22 Plan:

Audit Status	Number of reviews	Percentage %
Finalised	0	0
Draft	3	15%
Fieldwork in progress	1	5%
Not yet started	16	80%
Total	20	100%

As of 4 September 2021, 20% of the Plan was delivered to at least draft report stage or being delivered with work in progress. For reference, this current progress is similar to that for the 2020/21 plan as reported in September 2020. Further detail of 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.

Two draft reports were issued in the period, one of which was on an assurance basis and received a Moderate Assurance opinion. The remaining report issued was an advisory piece of work where an opinion is not provided.

In our Annual Report for 2020/21 we also highlighted five reports at draft stage. Two of these related to IT Remote Working and Budgetary Control audits have now been finalised. However, a further three reports remain at draft. None of these had a Limited or Unsatisfactory assurance opinion. Council Officers had been reminded of the outstanding reports and this has also been escalated with the CFO. Some auditees have asked for additional time to respond to the queries raised by Internal Audit, given the workload and additional pressures the area faces. The table below shows the reports outstanding and also those issued in the period:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
2020/2021 Internal Audit Plan				
Covid-19 Lessons Learned*	N/A - Advisory	-	-	-
Budgetary Control	Satisfactory	-	1	3
Risk Management*	Satisfactory	-	4	1
Remote Working (IT)	Satisfactory	-	1	-
Capita Open Housing (IT)*	Satisfactory	-	7	-

2021/2022 Internal Audit Plan				
Insurance*	Moderate	-	6	2
OSC Effectiveness Review*	N/A - Advisory	-	-	-
Total		0	19	6

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

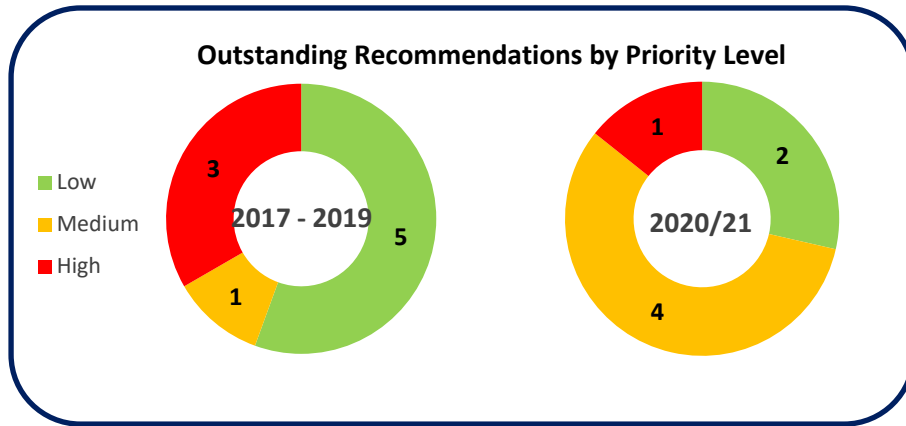
Internal Audit categorises recommendations as High, Medium, or Low priority to differentiate between the types of recommendation made. These categories give management an indication of the importance and urgency of implementing the recommendations.

As shown in the table above, no High Priority recommendations were raised in the reports finalised in the period. Further details of recommendations raised 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 had been populated with new recommendations from finalised internal audit reports. As of 4 September 2021, there are 16 outstanding recommendations in Action Management (i.e. recommendations that are past their agreed implementation dates). Priorities are as follows:

- Four high priority (Two related to Counter-Fraud, one related to Cash Receipting and Collection Systems and the remaining related to Empty Homes)
- Five medium priority; and
- Seven low priority.



We presented a report listing the above outstanding recommendations to the Council’s CLT on 6 September 2021 ahead of this Committee Meeting. Relevant Officers assigned to implement all outstanding recommendations were reminded to update the Action Management System with progress on implementing these.

In addition to monitoring management updates on progress within Action Management, Internal Audit can undertake spot checks to confirm that recommendations are being implemented in practice.

A procedure is in place to escalate recommendations that have not been implemented as agreed to CLT and finally to this Committee where necessary. In addition to the two previously reported High Priority recommendations outstanding, there are two new recommendations outstanding (i.e. past their agreed implementation date). Further detail of outstanding high-priority recommendations is included in Appendix A2 of this report.

A1 Current Progress – 2021/22 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Insurance	Draft*	Moderate	-	6	2
OSC Effectiveness Review	Draft*	N/A - Advisory	-	-	-
Private Water Supply	Cancelled	-	-	-	-
Homesafe Plus	Fieldwork Complete.		-	-	-
Careline	Deferred to Q3		-	-	-
Housing Benefits	Fieldwork Complete		-	-	-
Green Jump Surrey	Deferred to Q3/Q4		-	-	-
Victoria Square	Starts 23/09/2021		-	-	-
Building Control	Starts 06/10/2021		-	-	-
Taxi Licensing	Starts 18/10/2021		-	-	-
Air Pollution	Starts 20/10/2021		-	-	-
Key Financial Systems	Starts 01/11/2021		-	-	-
Thameswey Debt Management	Starts 29/11/2021		-	-	-
Disabled Facilities Grant (DFG)	Starts 24/01/2022		-	-	-
Temporary Accommodation	Starts 24/01/2022		-	-	-
Capital Programme	Starts 07/02/2022		-	-	-
Business Planning	Starts 14/02/2022		-	-	-
Corporate Debt Management	Starts 21/02/2022		-	-	-
IT					

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Office 365	Starts in Q3		-	-	-
Cyber Security	Starts in January 2022		-	-	-
Total			0	6	2

*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					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ 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.</p> <p>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>November 2020: This has been delayed by the focus on responding to the Covid-19 pandemic. The Fraud team from Reigate and Banstead Borough Council are being engaged to assist the Council in undertaking this risk assessment.</p> <p>February 2021: It has not been possible to progress this work in the previously agreed revised timescale, however this will be made a priority over the next month.</p> <p>June 2021: An approach has been agreed with the Reigate & Banstead/Oxford City Council Counter Fraud & Investigations Partnership. The initial work will cover the Fraud Risk Assessment, Framework for the Counter Fraud Strategy, staff training and assessment of processes in identified high risk areas and will be completed over a 3 month period.</p>	<p>31 March 2020</p> <p>Director of Finance</p> <p>Revised timescale:</p> <p>31 December 2021</p>

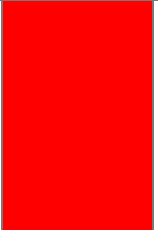
2	<p>Organisations require a counter fraud strategy to set out their approach to managing fraud risks and defining responsibilities for action.</p> <p>Although the Council has an Anti-Fraud and Corruption Policy, a Counter Fraud and Corruption Strategy has not been developed setting out the Council's 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>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. 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>	High	<p>Agreed, once the risk assessment (recommendation 1) has been completed, a Counter Fraud and Corruption Strategy will be prepared.</p> <p>November 2020: This has been delayed by the focus on responding to the Covid-19 pandemic. The Fraud team from Reigate and Banstead Borough Council are being engaged to assist the Council in developing an appropriate Strategy following completion of the risk assessment.</p> <p>February 2021: It has not been possible to progress this work in the previously agreed revised timescale, however this will be made a priority over the next month.</p> <p>June 2021: An approach has been agreed with the Reigate & Banstead/Oxford City Council Counter Fraud & Investigations Partnership. The initial work will cover the Fraud Risk Assessment, Framework for the Counter Fraud Strategy, staff training and assessment of processes in identified high risk areas and will be completed over a 3 month period.</p>	<p>30 June 2020</p> <p>Director of Finance</p> <p>Revised timescale:</p> <p>31 December 2021</p>
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Cash Receipting and Collection Systems

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
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1	<p>The PCI DSS consist of twelve significant requirements including multiple sub-requirements which contain numerous directives against which businesses may measure their own payment card security policies, procedures, and guidelines.</p> <p>As an Authority, the Council take payments over the phone. As a result, the Council should complete and submit their Self-Assessment Questionnaire type C (SAQ-C). However, the IT Consultant Application Support advised there are currently no arrangements in place to submit the SAQ-C.</p> <p>Failure to monitor and address compliance issues could result in the loss of PCI accreditation which could mean that the Council may not be able to promote its accredited service and therefore customers may lose confidence on the Council's payment processing service leading to financial loss and reputational damage.</p>	<p>In line with the PCI Security Standards Council, the Council should undertake a self-validation exercise through the completion of a SAQ-C questionnaire to assess its security for cardholder data and submit this results together with any issues/non-compliance identified and remedial actions.</p>	High	<p>The principles for PCI DSS cover more than the ICT aspects of payment processing, specifically:</p> <ul style="list-style-type: none"> • Data security user training • Up to date data protection, cyber security, and incident management plans • Business area procedural manuals <p>Following a workshop in 2018, work was started to complete the PCI DSS SAQ. Without the above areas being addressed, the form was not submitted.</p> <p>If the Council prioritises and allocates resources to progress the above areas then ICT can facilitate completion of the SAQ's.</p> <p>December 2020:</p> <p>The services of a PCI DSS Qualified Security Assessor have been procured from Sysnet to work with the Council to complete the SAQ and assist with identifying areas where further work is needed to mitigate any identified risks. The work will be undertaken from January 2021 with an estimated completion date of 31st March 2021.</p> <p>March 2021:</p> <p>The assessor was unable to start work until February, so the report was delayed and has not yet been received. Meetings have been held with business areas and work already identified as required has</p>	<p>31 December 2020</p> <p>ICT Business Manager</p> <p>Revised timescale:</p> <p>31 March 2022</p>
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				<p>been agreed by CMG. A new revised due date of 31/07/21 is proposed</p> <p>September 2021:</p> <p>The company Sysnet, that was providing the consultancy and report for PCI Compliance has been bought out and staff dealing with WBC have all left. I have been unable to get a response since June and have given notice that failure to produce the full report by the 31/08/21 will be considered breach of contract. We will need to start again with another supplier.</p>	
Empty Homes					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
1	<p>Examination of SharePoint found that there are procedural risk assessments for visiting empty properties. The risk assessment template has a points system to generate a risk rating of each property. Furthermore, on the UK government website, there is HHSRS guidance available.</p> <p>A randomly selected sample of ten empty properties on SharePoint showed that all five applicable cases did not have a risk assessment completed. Furthermore, there was no defined rationale for completing inspection forms and photographs.</p>	<p>The Private Sector Housing Team should consider using a checklist that sets out the required documentation for bringing empty homes into use.</p> <p>The checklist should include whether an inspection form and risk assessment have been completed and all necessary evidence maintained.</p> <p>The checklist should also reference the Housing Health and Safety Rating System (HHSRS) guidance from Central Government and other risk assessment guidance made available by the Council.</p> <p>If adopted, evidence of the checklist and associated documentation should be</p>	High	<p>Agreed. The risk assessment form is used to prioritise empty homes work, all current cases requiring visits will have risk assessment and a checklist adopted with a new procedure.</p> <p>Team members are experienced in visiting properties, identifying basic risks, and responding appropriately by referring to other colleagues with technical building experience when required. PSH Team members are completing HHSRS training in turn. Access to inside empty homes is not common on a first visit or contact with owners.</p> <p>Please note there is not the capacity to visit and inspect all empty homes and</p>	<p>31 July 2021</p> <p>Private Sector Housing Manager</p>

	<p>Where risk assessments are incomplete, there is a risk that the Council will not identify risks to the residents. This could lead to reputational damage and financial loss to the Council should any injuries occur.</p>	<p>retained on SharePoint and noted on the empty homes spreadsheet</p>		<p>the team prioritises homes that are the cause of ASB, harbourage and disrepair. In some circumstances a desktop enquiry and phone call/correspondence with the owner can provide information needed to process enquiries with empty home owners.</p>	
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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.