

## 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 8 September 2023 to 6 November 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.
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**Background Papers:** None.

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**Date Published:** 15 November 2023

## **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 September to November 2023 Period**  
November 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, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk. Further details are provided in Appendix A5, "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 outline the following concerning 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 8 September 2023 to 6 November 2023.

## 02 Internal Audit Progress

The Committee approved the 2023/24 Internal Audit Plan (Plan) on 2 March 2023. However, we identified the need to revisiting the content of the Plan to consider the outcomes of the Department for Levelling Up, Housing and Communities (DLUHC) review. Furthermore, the Council subsequently issued a Section 114 Notice (s114) in June 2023 in response to the authority's unprecedented financial challenges.

Following publication and consideration of the DLUHC report and s114, we have also 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.

Given the current challenges of the Council, it was considered that the focus of Internal Audit should be weighted towards financial and expenditure controls, income collection and key financial systems reviews. As a result, a new revised Plan was presented and approved in the September 2023 Committee meeting.

The revised 2023/24 Plan comprises 11 audits and 257 general days, including 30 days for IT audit and 30 days for the Head of Internal Audit role.

The table below provides a summary of the progress of the audits included in the Plan approved in September 2023 by the Committee:

Audit Status	Number of reviews	Percentage %
Finalised	1	9%
Draft	1	9%
Fieldwork in progress	3	28%
Not yet started	6	54%
<b>Total</b>	<b>11</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 September 2023, we highlighted three reports from 2022/23 at draft stage (Sheerwater Regeneration Project, Contract Management – Savills and Commercial Property Estate). Meetings

were held to discuss the Commercial Property Estate report, in addition, responses had been received for the Sheerwater Regeneration Project report at the time of writing this report. For the Savills Contract Management report, a meeting has been scheduled with management to discuss the report. As usual, these will be provided to Members as soon as practical once finalised.

The table below shows the two final reports issued in the reporting period:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
<b>2022/2023 Internal Audit Plan</b>				
KFS – AP, GL, NNDR and Council Tax	N/A	-	9	3
<b>2023/2024 Internal Audit Plan</b>				
IT – Office365	N/A	-	7	9
<b>Total</b>		<b>-</b>	<b>16</b>	<b>12</b>

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, no High Priority recommendations were raised. Further details of recommendations from finalised reports can be found in the summary reports for each audit provided separately to Members.

## 04 Follow-Ups

Since our last progress report, the Action Management system was migrated from SharePoint to a Microsoft 365 environment and a different platform in October 2023.

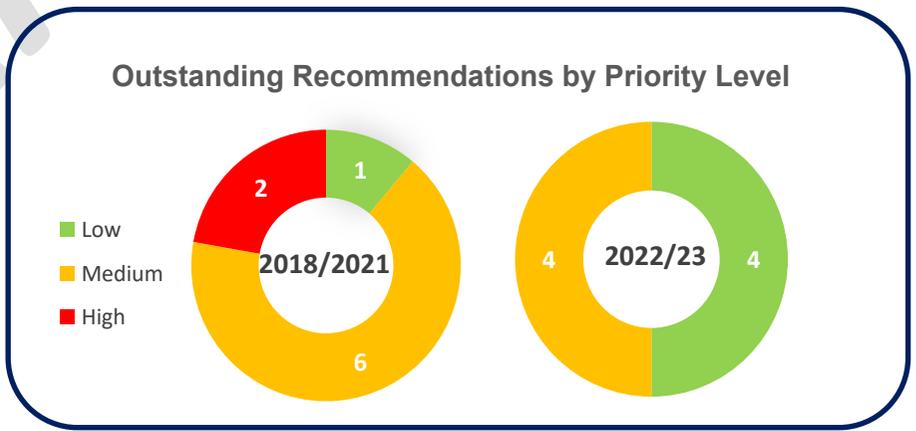
Although the system’s capabilities remain the same, the data migration between systems meant that recommendations held in the former platform had to be marked as ‘closed’ for migration purposes.

This also meant that during this process, Officers responsible for implementing recommendations could not update the systems with updates.

We have been granted access to the new system on 8 November and timing did not allow us to progress on the regular follow up exercise. We will undertake a reconciliation between the open recommendations and those ‘closed’ for migrating purposes in time for the next IA Progress Report as we are still requesting some adjustments to the Council’s IT Team, such as roles and user permissions to create casefiles to allow uploading new recommendations.

Until this exercise is completed, we cannot capture updates to recommendations since our last progress report. Therefore, we report the same position as in our September 2023 report.

There are 17 recommendations which have passed their initially agreed implementation dates. A further 30 recommendations 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. As a matter of update, the Finance Director is liaising with Mazars' Forensics and Investigations (FIS) Team to discuss logistics for implementing these.

Six 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.

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

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## A1 Current Progress – 2023/24 Plan

Audit area	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Housing - Rent Collection	Draft*	Limited*	4	3	2
Income Management and Systems Reconciliations	Fieldwork	-	-	-	-
Council Tax	Fieldwork	-	-	-	-
Business Rates	Fieldwork	-	-	-	-
Payroll	Starts 13/11/2023				
Accounts Payable (Creditors)	Starts 18/12/2023	-	-	-	-
Accounts Receivable (Debtors)	Starts 15/1/2024	-	-	-	-
Pension Fund Administration	Starts 18/1/2024	-	-	-	-
Group Companies	Starts 5/2/2024	-	-	-	-
<b>IT</b>					
Office 365	Final	-	-	7	9
Application Lifecycle Management	Starts 1/12/23	-	-	-	-
<b>Total</b>			<b>4</b>	<b>10</b>	<b>11</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.</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><i>October 2023:</i></p> <p>We requested Mazars' Forensics and Investigations (FIS) Team to assist in implementing this recommendation. Mazars is developing a proposal to be discussed and agreed.</p>	<p>31 March 2020</p> <p>Director of Finance</p> <p><b>Revised timescale:</b></p> <p>30 March 2024</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).</p> <p>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>October 2023:</i></p> <p>We requested Mazars’ Forensics and Investigations (FIS) Team to assist in implementing this recommendation. Mazars is developing a proposal to be discussed and agreed.</p>	<p><b>Revised timescale:</b></p> <p>30 March 2024</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 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.

### Tackling the recruitment crisis in the public & social sector – [our 23/24 survey](#)

Against a backdrop of unprecedented strike action and a poor public perception, the recruitment and retention of public and social sector employees has become increasingly challenging. With approximately six million public and social sector employees delivering essential services, decades of accumulated knowledge and experience are at risk of being lost, threatening the function of fundamental community services.

#### Key findings at a glance:

- 1. Training and upskilling initiatives are needed to plug the public and social sector skills gap:** Public and social sector employers are facing talent shortages on multiple fronts, demonstrating a need for deeper and broader levels of competence than basic skills.

The rapid pace of progress is putting public and social sector organisations under immense pressure to insulate their services with experienced tech professionals – to strengthen cyber resilience or leverage AI and automation to their fullest, however there is a critical shortage of the requisite skills.

When asked which departments within their organisation struggled most to attract and retain talent, 66% of survey respondents singled out ‘corporate services’ – specifically finance, procurement, legal, governance, risk and assurance talent – as challenging or extremely challenging. Additionally, ‘IT and digital’ followed closely behind with 63%, of which over a quarter (28%) found attraction and retention extremely challenging.

- 2. Differing workplace perspectives highlight the need for cohesive recruitment and retention strategies:** As the public and social sector meets the emerging challenges of the 2020s and beyond, how can young talent be attracted and harnessed?

If the public and social sector is to secure its future workforce, organisations need to rethink current approaches to recruitment – but this will only happen once unified long-term strategies are put in place. Current efforts are not attracting Gen Z, who are much more likely to have the digital skills required for the future, nor experienced hires from the private sector, with

uncompetitive salaries and unappealing job descriptions proving a barrier to application.

89% of respondents identified ‘flexible working’ as important or very important, suggesting that hybrid working is now an expectation rather than a temporary measure. This can be an advantage for the public and social sector as more private sector firms are demanding a return to the office.

- 3. The public and social sector needs to focus on the long term, not quick fixes:** The limited availability of resources is preventing employers from providing opportunities to their employees. Addressing this issue should be a public and social sector imperative.

Organisational training and upskilling initiatives can empower employees, giving them the opportunity to gain new skills and improve performance in their current and future roles. However, according to 56% of survey respondents, the ‘limited availability of resources’ is preventing employers from providing these opportunities to their employees.

Participants identified a range of additional issues, from ‘resistance to change’ (47%) to the ‘contradiction of work-learning balance’ (43%) and the ‘perceived cost’ of training (43%). The Apprenticeship Levy is not being leveraged effectively due to the use of temporary contracts and a lack of senior buy-in, with many people leaving for promotions elsewhere after being trained. Decisive action must be taken to ensure the public and social sector has access to the skills and experience it relies on, especially in the face of a potential retirement crisis.



## 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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