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TO THE CHAIRMAN AND MEMBERS OF THE STANDARDS AND AUDIT COMMITTEE

You are hereby summoned to attend a meeting of the Standards and Audit Committee to be held on Thursday, 11 April 2024 at 7.00 pm in the Council Chamber, Civic Offices, Gloucester Square, Woking, Surrey GU21 6YL.

The agenda for the meeting is set out below.

RICHARD CARR
Managing Director Commissioner

NOTE: Filming Council Meetings

Please note the meeting will be filmed and will be broadcast live and subsequently as an archive on the Council's website (www.woking.gov.uk). The images and sound recording will also be used for training purposes within the Council. Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed.

AGENDA

PART I - PRESS AND PUBLIC PRESENT

1. Minutes (Pages 3 - 8)
To approve the minutes of the meeting of the Standards and Audit Committee held on 29 February 2024 as published.
2. Apologies for Absence
To receive any apologies for absence.
3. Declarations of Interest (Pages 9 - 10)
 - (i) To receive declarations of interest from Members and Officers in respect of any item to be considered at the meeting.
 - (ii) In accordance with the Officer Employment Procedure Rules, the Strategic Director - Corporate Resources, Kevin Foster declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Foster may advise on those items.
4. Urgent Business
To consider any business that the Chairman rules may be dealt with under Section 100B(4) of the Local Government Act 1972.

Matters for Determination

5. Internal Audit Charter STA24-007 (Pages 11 - 20)
Reporting Person – Graeme Clarke and Kirk Harrison (Mazars)
6. Internal Audit Service Progress Update STA24-008 (Pages 21 - 34)
Reporting Person – Graeme Clarke and Kirk Harrison (Mazars)
7. Internal Audit Strategy and Proposed 2024/25 Plan STA24-009 (Pages 35 - 48)
Reporting Person – Graeme Clarke and Kirk Harrison (Mazars)
8. Alpha Road - Audit Outcome STA24-010 (Pages 49 - 60)
Reporting Person – Kevin Foster

AGENDA ENDS

Date Published - 3 April 2024

For further information regarding this agenda and arrangements for the meeting, please contact Doug Davern on 01483 743018 or email doug.davern@woking.gov.uk



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MINUTES
OF A MEETING OF THE
STANDARDS AND AUDIT COMMITTEE

held on 29 February 2024

Present:

Mrs C Storey (Chairman)
Cllr H Akberali Cllr S Greentree
Cllr J Brown Cllr S Oades
Cllr G Cosnahan

Absent: Councillor A Caulfield

1. MINUTES

RESOLVED

That the minutes of the Committee held on 23 November 2023 be approved and signed as a true and correct record.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Andy Caulfield.

3. DECLARATIONS OF INTEREST

In accordance with the Code of Conduct, Claire Storey declared a disclosable pecuniary interest in minute items 6 and 7 – Amendments to Constitution – Members' Allowances and Responsibility for Standards and Audit Committee – in respect of her role as a Co-opted Independent Member and Chairman of the Standards and Audit Committee. The interest was such that Mrs Storey would leave the Council Chamber during the determination of these items.

In accordance with the Officer Employment Procedure Rules, the Strategic Director - Corporate Resources, Kevin Foster declared a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he is a Council-appointed director. The interests were such that Mr Foster could advise on those items.

4. URGENT BUSINESS

As the Chairman had declared an interest in minute items 6 and 7 with apologies for absence having been received from the Vice-Chairman, Councillor Brown was elected Vice-Chairman for the meeting and would preside over both items.

5. AMENDMENTS TO CONSTITUTION - EXCEPTIONS TO STANDING ORDERS - PROCUREMENT STA24-001

The Committee received the first of four reports which recommended changes to the Council's Constitution. The first was to amend the Exceptions to Standing Orders clause by removing part (ii) 'where the Executive so directs', which facilitated a provision for the Executive to over-ride a procurement decision. It was added that clause 12.3 would need to be amended to re-number the exceptions referred to as a result, and to clarify clause 12.2 by referring to the procurement tendering system.

RECOMMENDED TO COUNCIL

- That (i) **clause on Exceptions to Standing Orders (Appendix 1 to the report) be amended as set out within the report in the Council's Constitution under Section 6 of Part 5;**
- (ii) **the authority delegated to the Monitoring Officer to make minor amendments to the Constitution be noted, including amendments to references within the document and section numbering; and**
- (iii) **the Monitoring Officer be instructed to make the agreed changes to the Constitution.**

6. AMENDMENTS TO CONSTITUTION - MEMBERS' ALLOWANCES STA24-002

(NOTE: As the Chairman had declared an interest under the Code of Conduct and had withdrawn from the Chamber, the item was chaired by the Vice-Chairman for the meeting, Councillor Brown.)

The Committee received the second report which recommended amendments to the Council's Constitution by removing two clauses in relation to Members surgeries due to usage and affordability, and the Co-optees Allowance which would fall under the remit of the Head of Paid Service alongside other pay decisions. Following a question by Councillor Brown it was noted that free car parking for Members would be included in the review of car park fees and charges due to be received by the Executive at its meeting in March.

RECOMMENDED TO COUNCIL

- That (i) **the clauses on 'Members Surgeries' and 'Co-optees Allowance' (Appendix 1 to the report) be removed from the Council's Constitution under Section 4 of Part 5;**
- (ii) **the authority delegated to the Monitoring Officer to make minor amendments to the Constitution be noted, including amendments to references within the document and section numbering; and**
- (iii) **the Monitoring Officer be instructed to make the agreed changes to the Constitution.**

7. AMENDMENTS TO CONSTITUTION - RESPONSIBILITY FOR STANDARDS AND AUDIT COMMITTEE STA24-003

(NOTE: As the Chairman had declared an interest under the Code of Conduct and had withdrawn from the Chamber, the item was chaired by the Vice-Chairman for the meeting, Councillor Brown.)

The Committee received the third report which proposed amendments to the Council's Constitution by increasing the maximum number of Independent Co-opted Members who could be appointed to the Standards and Audit Committee from one to two, so that the Council would have greater flexibility to benefit from professionals' experience, which was supported by the Commissioners. The recommendation included a request from the Corporate Governance Working Group to lobby the Local Government Association to provide an off the shelf version of a Council Constitution which could be adapted as required.

RECOMMENDED TO COUNCIL

- That (i) **the clause on Responsibility for Standards and Audit Committee (Appendix 1 to the report) under Section 1 of Part 3, and Article 10 – Standards and Audit Committee (Appendix 2 to the report) under Section 1 of Part 2, in the Council's Constitution be amended as set out within the report;**
- (ii) **the authority delegated to the Monitoring Officer to make minor amendments to the Constitution be noted, including amendments to references within the document and section numbering;**
- (iii) **Monitoring Officer be instructed to make the agreed changes to the Constitution; and**
- (iv) **the Local Government Association be lobbied to provide an off the shelf version of a local authority Constitution that could be adapted by individual councils.**

8. AMENDMENTS TO CONSTITUTION - ASSET DISPOSALS THRESHOLD STA24-004

The Committee received the final report which proposed changes to the Council's Constitution regarding the delegated authorities of the Strategic Director – Corporate Resources and Strategic Director – Communities, including imposing a limit of £1m beyond which approval would be required by the Executive. The Committee raised the issue of indexation to take account of inflation and it was stated that the limit would be kept under review and the vast majority of asset activity going forward would be disposals and not acquisitions.

RECOMMENDED TO COUNCIL

- That (i) **clauses on 'Sale of Land' and 'Land Management' in the Scheme of Delegations (Appendix 1 to the report) under Section 3 of Part 3 of the Council's Constitution be amended as set out within the report;**
- (ii) **authority delegated to the Monitoring Officer to make minor amendments to the Constitution be noted, including amendments to references within the document and section numbering; and**
- (iii) **Monitoring Officer be instructed to make the agreed changes to the Constitution.**

9. UPDATE ON EXTERNAL AUDIT (BDO) STA24-005

Steve Bladen from BDO provided an update to the Committee on the External Audit. A written paper had been circulated which referred to the recently launched Government

consultation on proposed changes to the Account and Audit Regulations 2015 and the Code of Audit Practice in relation to the wider audit backlog. The Committee was advised that the progress of the external audit had been limited to assessing those elements of the financial statements where gaps in the assurance remained and the implications for the audit, alongside work on the Value for Money conclusion. There was also an outstanding objection to the 2019/20 financial accounts on Minimum Revenue Provision. Steve reported that BDO would also seek a variation to the fees payable by representation to Public Sector Audit Appointments Ltd.

Following questions by the Chairman, it was stated that no new evidence had been gathered since the last meeting of the Committee; the opinion on the 2019/20 accounts would likely be a disclaimed audit opinion together with a lack of assurance over some balances in the accounts; the consultation proposed the remaining financial years 2021/22 and 2022/23 could be consolidated into one Audit, and would be likely to lead to disclaimed audit opinions for which fees would be payable by the Council; and following the end of the consultation in June BDO would expect to issue its conclusions by the proposed backstop date of 30 September 2024 after ongoing work with its technical team had been completed.

Members expressed disappointment and frustration that there had been little change from the last meeting other than the outcome of the Government consultation being awaited. Councillor Oades asked for a work plan for the outstanding items alongside timelines for their completion and Steve advised that BDO would consider whether anything further could be provided. Eugene Walker, Interim Section 151 Officer, advised that there was no outstanding work for the Council to carry out in relation to the 2019/20 Audit and the finance team was working on closing the 2022/23 accounts.

RESOLVED

That the update be received.

10. AUDIT PROGRESS REPORT AND SECTOR UPDATE (GRANT THORNTON) STA24-006

Joanne Brown and Paul Jacklin of Grant Thornton introduced the report which provided an update on the progress of the External Audit for 2023/24. In addition, the report included a summary of emerging national issues and developments that could be relevant to the Council; and a number of challenge questions in respect of the emerging issues which Members could consider.

The planning and interim fieldwork was noted to have commenced in January and would include a review of the authority's control environment; documenting understanding of financial systems; reviewing Internal Audit reports on core financial systems; understanding how the Council made material estimates for financial statements; and early work on emerging accounting issues. The results of the work would be reported in the progress report brought to the July meeting, which would also include a detailed audit plan setting out the proposed approach to the 2023/24 audit. Joanne advised that the aim was to provide an opinion on the Statement of Accounts by 30 December 2024.

The Chairman asked how long it could take for Woking to no longer received disclaimed audit opinions and it was stated that good positive engagement with the finance team was taking place and that Grant Thornton was undertaking scenario planning regarding the opening balances carried forward from the previous auditors to ensure a clear approach.

In addition, Joanne reported that the separate Value for Money audit taking place was nearing completion as consultation was taking place with Grant Thornton's legal team alongside any individuals named in the report which would take around four weeks to complete. The report would be received subsequently at a meeting of Full Council, noting that the meeting date could be affected by the timing of the local Elections.

RESOLVED

That the update be received.

The meeting commenced at 7.00 pm
and ended at 8.10 pm

Chairman: _____

Date: _____

Agenda Item 3.

Schedule Referred to in Declaration of Interests

Council-appointed directorships

Kevin Foster, Strategic Director – Corporate Resource	
Brookwood Cemetery Limited	Kingfield Community Sports Centre Limited
Brookwood Park Limited	LAC 2021 Limited (Dormant)
Export House Limited	Woking Necropolis and Mausoleum Limited
Woking Shopping Limited	

Louise Strongitharm, Strategic Director – Communities	
Rutland Woking (Carhouse Lane) Limited	Rutland Woking (Residential) Limited
Rutland (Woking) Limited	

Adam Walther, Head of Transformation and Digital	
Brookwood Cemetery Limited	Thameswey Developments Limited
Brookwood Park Limited	Thameswey Energy Limited
Thameswey Central Milton Keynes Limited	Thameswey Limited
Thameswey Sustainable Communities Limited	Thameswey Solar Limited
Woking Necropolis and Mausoleum Limited	

STANDARDS AND AUDIT COMMITTEE – 11 APRIL 2024

INTERNAL AUDIT CHARTER

Executive Summary

The Internal Audit Charter (Charter) is a formal document that defines the Internal Audit's purpose, authority, and responsibility. It is required under the UK Public Sector Internal Audit Standards (PSIAS). The Charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Standards and Audit Committee (SAC); authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities.

The best practice is for the Charter to be presented annually for approval, which is set out in Appendix 1.

Following discussion by Members at the SAC meeting in November 2023, clarification was sought around the sharing of internal audit reports with the External Auditors in respect of "Authority and Access to Records, Assets and Personnel" at page 2 of the document. Further discussion has since been undertaken between Council Officers/staff and Mazars, and confirmation internal audit reports are made available to External Audit subject to the agreement of Hold Harmless Letters as has been the case historically within the Council. A minor amendment has been made to the Charter under this section to emphasise this point.

Other than the amendment noted above, the substantive content of the Charter has not changed from the one presented and approved by SAC at its meeting in November 2022.

Recommendations

The Committee is requested to:

RESOLVE That the Internal Audit Charter be approved.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

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Date Published: 3 April 2024

STA24-007

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 PSIAS.

Woking Borough Council

Internal Audit Charter

April 2024



Introduction

The Internal Audit Charter (Charter) sets out the terms of reference and serves as a basis for the governance of Woking Borough Council's (Council) Internal Audit function. It sets out the function's purpose, authority, and responsibility following the UK Public Sector Internal Audit Standards (PSIAS). The Charter will be reviewed and updated annually and presented to the Standards and Audit Committee (SAC) for approval.

The PSIAS includes a Mission for Internal Audit which is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

Nature and Purpose

The Council has developed a risk management framework which includes the following:

- Identification of the significant risks in the Council's operations and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Periodic reviews by the Corporate Leadership Team (CLT) of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the Council's risk profile.

Internal control is one of the primary means of managing risk. Consequently, evaluating its effectiveness is central to Internal Audit responsibilities.

The Council's internal control system comprises the policies, procedures and practices, as well as an organisational culture that collectively supports the Council's effective operation in pursuing its objectives. The risk management, control, and governance processes enable the Council to respond to significant business risks, be these of an operational, financial, compliance or other nature and are the direct responsibility of the CLT.

The Council needs assurance over the significant business risks set out in the risk management framework. Also, many other stakeholders, both internal and external, require assurance on the management of risk and other aspects of the Council's business, including Members and regulators. There are also many assurance providers. The internal audit function is the third line of defence in the Council's 'three lines of defence approach' to risk and assurance. The first line of defence comprises the Council's core operational services, and the second line includes the oversight functions such as risk management.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by

bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’

Within the Council, Internal Audit Services, including the Head of Internal Audit (HoIA) role on behalf of the Council, are contracted out and delivered by Mazars LLP. Internal Audit provides independent and objective assurance to the organisation, its Members, the Chief Executive, the CLT, and the Chief Finance Officer to help them discharge their responsibilities relating to properly administering the Authority’s financial affairs under S151 of the Local Government Act 1972.

Also, the Accounts and Audit Regulations (2015) specifically require the provision of internal audit services. In line with regulations, Internal Audit provides independent assurance of the adequacy and effectiveness of the Authority’s governance, risk management and internal control systems.

In particular, Internal Audit carries out assurance and consulting activities across all aspects of the Council’s business, based on a programme agreed upon with the SAC. In doing so, Internal Audit works closely with the Authority’s risk owners, service line risk teams, and the CLT.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the Council’s existing processes and procedures can be developed to improve how risks in these areas are managed.

The independent assurance provided by Internal Audit also assists the Council in reporting annually on the effectiveness of the internal control system included in the Council’s Annual Governance Statement (AGS).

Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all Council records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers where necessary on-demand and without prior notice. The right of access to other bodies funded by the Council should be set out in funding conditions.

Any restriction (management or other) on the scope of the Internal Audit’s activities will be reported to the SAC.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in its duties and execution of its responsibilities.

Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised and which external audit would need to discharge their responsibilities. These will be provided following agreement of Hold Harmless letters by the Council, Internal Audit and External Audit.

Responsibility

The HoIA is required to provide an annual opinion to the Council, the Chief Finance Officer, and the Chief Executive, through the SAC, on the adequacy and effectiveness of the Council's risk management, control and governance processes. To achieve this, Internal Audit will:

- Work with other assurance providers (such as the external auditors, etc.) such that the assurance needs of the Council, regulators and other stakeholders are met in the most effective way.
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.
- Carry out assurance and consulting activities across all aspects of the Council's business based on a risk-based plan agreed with the SAC.
- Provide the Chief Finance Officer, Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports to the CLT and the SAC summarising results of assurance activities.
- Assist Management with the prevention and detection of fraud through assurance activities.
- If requested by Management, to support in the investigation of allegations of fraud, bribery and corruption within the Council and notifying management and the SAC of the results.
- Assess the adequacy of remedial action to address significant risk and control issues reported to the SAC. Responsibility for remedial action in response to audit findings rests with line management.

There are inherent limitations in any internal control system, and thus, errors or irregularities may occur and not be detected by Internal Audit's work. Unless specifically requested and agreed, Internal Audit will not perform substantive testing of underlying transactions.

Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems, and recommendations for remedial action when carrying out its work. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and, compliance with the Council's policies and standards and monitor whether such actions are implemented on a timely basis.

Where appropriate, Internal Audit will undertake assurance or consulting activities for the benefit of the Council in organisations wholly owned or controlled by the Authority. Internal Audit may also assure the Council on third-party operations (such as contractors and partners) where this has been provided as part of the contract.

The SAC is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

Scope of Activities

As highlighted in the previous section, any internal control system has inherent limitations. Internal Audit, therefore, provides the Members via the SAC, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the Council's governance, risk management and control processes using a systematic and disciplined approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting the Council in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value-adding activities includes evaluating risk exposures relating to the Council's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

Reporting

For each engagement, Internal Audit will issue a report to the lead auditee identified for each internal audit and the Chief Finance Officer or their nominee, and a summary of the report to the CLT and the SAC.

The PSIAS require the HoIA to report at the top of the organisation, and this is done in the following ways:

- The Internal Audit Charter is reported to the CLT and presented to the SAC annually for formal approval.
- The annual risk-based plan is compiled by the HoIA taking account of the Council's risk management framework and after input from members of the CLT. It is then presented to the CLT and then to SAC annually for comment and formal approval.
- The internal audit budget is reported to Executive and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the HoIA) and the independence of internal audit will be reported at least annually to the SAC through the annual HoIA report.
- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the CLT and SAC on a quarterly basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the SAC.
- Any instances of non-conformance with PSIAS must be reported to the CLT and the SAC and will be included in the annual HoIA report. If there is significant non-conformance, this may be included in the Council's AGS.

Independence

The HoIA has free and unfettered access to the following:

- Chief Executive;
- Chief Finance Officer;
- Monitoring Officer;
- Chair of the SAC; and
- Any other member of the CLT.

The independence of the HoIA is further safeguarded as the service is contracted. Also, their annual appraisal ensures it is not inappropriately influenced by those subject to internal audits.

To ensure that internal auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via the contracted suppliers' procedures, which include deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in the contracted supplier must complete);
- Personal Connections (the system for recording interests in securities and collective investment vehicles held by partners, directors and managers, and their immediate family members); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as advice on implementing new systems and controls. To maintain independence, any audit staff involved in significant consulting activity will not be involved in that area's audit for at least 12 months. However, any significant consulting activity not already included in the audit plan that might affect the level of assurance work undertaken will be reported to the SAC.

External Auditors

The External Auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the External Auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit can follow up on the implementation of internal control issues raised by External Audit. Internal Audit and External Audit can liaise periodically to:

- Plan the respective internal and external audits;
- Discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

Due Professional Care

The following standards bind the Internal Audit function:

- Chartered Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- PSIAS;
- Relevant Authority Policies and Procedures; and
- Relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of ongoing performance monitoring and an external assessment by a suitably qualified, independent assessor at least once every five years. An independent EQA of our internal audit services was undertaken in 2019 with full compliance with PSIAS confirmed. A new EQA will be undertaken in 2024.

Continuous Professional Development CPD is maintained for all staff working on internal audit engagements to ensure that auditors preserve and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. The HoIA is required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

STANDARDS AND AUDIT COMMITTEE – 11 APRIL 2024

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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Date Published: 03 April 2024

STA24-008

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 Framalocco, 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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Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 95 countries and territories worldwide, we draw on the expertise of 47,000 professionals – 30,000 in Mazars' integrated partnership and 17,000 via the Mazars North American Alliance – to assist clients of all sizes at every stage in their development.

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STANDARDS AND AUDIT COMMITTEE – 11 APRIL 2024

INTERNAL AUDIT STRATEGY AND DRAFT ANNUAL PLANS 2024/25 - 2025/26

Executive Summary

This report sets out details of the draft Internal Audit Plan for 2024/25 (Plan) and an indicative plan for 2025/26 (which will in turn be revisited as part of the planning process for that particular year). The Plan is intended to set out how Woking Borough Council (Council) will meet its statutory requirements for Internal Audit for these periods.

This has been developed in the context of the outcome of the Department for Levelling Up, Housing and Communities (DLUHC) review and Section 114 Notice (s114) in June 2023 which led to the Plan for 2023/24 being revisited during the year to focus Internal Audit towards financial and expenditure controls, income collection and key financial systems reviews and which was approved in the September 2023 Committee meeting.

The Plan has been compiled following:

- One to one discussion with individual members of CLT;
- A review of the Council's Strategic Risk Register;
- Consideration of internal audit work conducted in previous years;
- Ongoing work carried out in accordance with the Council's Recovery Plan, overseen by the Council's Commissioners;
- A review of the Mazars Sector Risk Profile for Local Government, published in January 2024; and
- Consideration of a long list of potential audits for 2024/25 and 2025/26.

The overall coverage for the Plan is intended to be sufficient to provide Members, management, and other external bodies with independent assurance on the adequacy of the Council's risk management, governance, and internal control framework.

Recommendations

The Committee is requested to:

RESOLVE that

the Internal Audit Strategy and the proposed Annual Plan for 2024/25 be approved.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

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Date Published: 03 April 2024

Implications

Financial and Risk

There are financial implications related to the delivery of the proposed Annual Plan and the days included. A sufficient budget needs to be set aside to cover delivery costs.

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, the implementation of recommendations improves the control environment and risk management.

Human Resources and Equalities

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

Legal

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



Woking Borough Council
**Internal Audit Strategy and Draft Annual Plans 2024/25 –
2025/26**
March 2024

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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.

The Report was prepared solely for the use and benefit of the Council, 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.

01 Introduction

This report establishes the Internal Audit Strategy (Strategy) and proposed Annual Plan (Plan) for 2024/25, which details how the Council will meet its statutory requirements for Internal Audit. It also includes an indicative Plan for 2025/26.

02 Background

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness, and efficiency of the system of internal control and report major weaknesses together with recommendations for improvement. The role is fulfilled by carrying out appropriate audit work following the Annual Plan as approved by the Council's Chief Finance Officer (Finance Director) and the Standards and Audit Committee (Committee).

As Internal Audit is a major source of assurance that the Council is managing its risks effectively, a key rationale for developing the Internal Audit Plan was the Council's Strategic Risk Register (SRR) alongside discussions with members of the Corporate Leadership Team (CLT). We also considered prior internal audit coverage alongside issues arising across the wider sector such as in annual risk profile report.

The Council's Internal Audit Service is delivered following a regulatory framework comprising:

- The Local Government Finance Act 1972, which requires councils to 'make arrangements for the proper administration of their financial affairs';
- The Accounts and Audit Regulations 2015. These require that all local authorities must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'; and
- The UK Public Sector Internal Auditing Standards (PSIAS). These standards set out what is meant by appropriate internal audit practices.

These are mandatory standards and replaced the former CIPFA Code of Practice for Internal Audit in Local Government 2006.

The Strategy is a high-level statement that outlines how the Internal Audit Service will be delivered to meet the requirements set out above. The PSIAS no longer make specific reference to a strategy document. However, they require that the information be communicated to the Audit Committee (or equivalent) to support audit planning and resources discussion.

03 Internal Audit Strategy

This Strategy recognises that it is management's responsibility to establish and maintain a sound internal control system and ensure that risks are appropriately managed. Internal audit work aims to establish areas requiring improvement and recommend solutions to enable the Council to achieve its objectives.

The Strategy and planning process reflects that the control environment constantly changes, requiring continuous review and re-evaluation to ensure that emerging risks are identified, assessed, and included as appropriate in the audit plan. Specifically, recognising the unprecedented challenges facing Public Sector finances, the strategy must have in built flexibility to consider:

- Greatest risks to the achievement of the Council's objectives;
- New areas of activity;
- Issues of local significance and importance;
- Changing issues and priorities;
- Changes to models for service delivery and partnership working; and
- The impact of changes on existing control structures.

The purpose of the Strategy is to establish an approach that will enable internal audit to be responsive to change and managed in a way that will facilitate:

- An understanding of assurance needs to enable the provision to Members and management of an overall opinion each year on the Council's risk management, control and governance framework, to support the Annual Governance Statement within the audited financial statements;
- Internal Audit of the Council's risk management, control and governance systems through an approach which assesses risks to Council objectives and prioritises internal audits accordingly;
- The identification of internal audit resources required to deliver a service which meets the PSIAS and achieves the necessary level of audit coverage to enable an opinion to be given on the Council's control environment;
- The identification of other sources of assurance from other assurance providers which can be relied upon to inform the focus of internal audit activity;
- Identification of responsibilities for providing assurance where services are delivered in partnership.
- Based on the budget available for internal audit work, the Strategy and internal audit work make provision for:
 - Sufficient coverage of all significant financial systems to provide the necessary audit assurance;
 - New systems and emerging high-risk areas;
 - Cross-cutting reviews for a selection of corporate themes which link to the SRR;
 - Support for corporate governance, with particular focus on governance issues identified in the Council's annual governance statement, ensuring that proposed actions are taken;
 - Monitoring the implementation of internal audit recommendations categorised as high; and
 - An element for a contingency to enable the audit service to provide ad hoc advice and to respond to management requests for support.

The Plan is prepared based on a risk assessment combined with an understanding of other sources of assurance which are then compared to the internal audit resources available. Given the level of internal audit resources available, internal audit work must be planned and focused to ensure efficient and effective use of resources directed at those areas of most significant risk to the Council.

The Internal Audit function, including the Head of Internal Audit role, is outsourced to Mazars LLP under the London Borough of Croydon APEX Framework.

04 Development of the Annual Plan 2024/25

The main factors taken into account in compiling the Plan consist of:

- A review of internal audit themes against the Council's SRR and corporate objectives and emerging Improvement Recovery Plan (IRP);
- Concerns and emerging risks as identified by the management team including attendance and presentation to the CLT;
- Historical knowledge and experience accumulated in Internal Audit, based upon the results of previous audits; and
- Mazars Horizon Scanning of issues affecting all Local Authorities (<https://www.mazars.co.uk/Home/Industries/Public-Social-Sector/Transforming-your-organisation/Horizon-Scanning>).

The total number of internal audit days allocated for 2024/25 is 181 days including 12 days for the Head of Internal Audit role. The resources are allocated to ensure that sufficient high-risk areas are audited to allow the Head of Internal Audit to provide an effective annual opinion on the internal control environment.

The proposed 2024/25 Plan and indicative Plan for 2025/26 is presented in **Appendix A1**.

To inform discussions, an audit universe to illustrate coverage in prior years and corresponding assurance has also been included in **Appendix A2**.

A1 Draft Plans 2024/25 & 2025/26

Directorate	Audit Title	Source	Assessed Priority	Last Audited	Assurance Opinion	2024/25 Days	2025/26 Days
System Based: To assess the effectiveness of the internal control environment and internal processes							
Corporate Resources	Budget Monitoring and Management	Sector Risk Profile - Financial Resilience	High	2020/21	Moderate	7	
Communities	Housing options and homelessness	Louise Strongitharm	Low	2019/20	Moderate		10
Place	Licensing	Beverley Kuchar	Low	2020/21	Moderate		10
Corporate Resources	Sickness absence management	Kevin Foster	High	N/A	N/A	15	
Communities	Voids Management	Louise Strongitharm	High	N/A	N/A	15	
Corporate Resources	Commercial leases/licences & Property Portfolio	Kevin Foster	High	2022/23	TBC*	15	
Corporate Resources	Procurement & Contract Management Provision	Kevin Foster	High	2020/21	Moderate	25	
Corporate Resources	Fees and charges	Kevin Foster	Medium	N/A	N/A		10
Corporate Resources	Corporate Health & Safety	Kevin Foster	Medium	N/A	N/A		15
Place	Parking Services	Beverley Kuchar	Low	2020/21	Moderate		7
Place	S106/CIL/SANGS	Beverley Kuchar	Low	2020/21	Moderate		7
Corporate Resources	GDPR Compliance / Data Privacy / Document Retention	Gareth Johns	Medium	2019/20	Moderate	10	
Risk based: Risk Based – Link to the Council’s overall risk management framework and emerging risks							
Communities	Community Asset Transfer	Louise Strongitharm	Medium	N/A	N/A		10
Place	Emergency Planning	Beverley Kuchar	High	N/A	N/A	15	
Corporate Resources	Group Companies	Deferred from 2022/24	Medium	N/A	N/A	15	
Communities	Housing Capital Programme	Louise Strongitharm	Medium	2021/22	Moderate		10

Directorate	Audit Title	Source	Assessed Priority	Last Audited	Assurance Opinion	2024/25 Days	2025/26 Days
Corporate Resources	Insurance - administration and management	Kevin Foster	High	2021/22	Limited	10	
Corporate Resources	Medium Term Financial Strategy	Sector Risk Profile - Financial Resilience	High	N/A	N/A	7	
Place	Planning Services and Enforcement	Beverley Kuchar	High	N/A	N/A	15	
Corporate Resources	Skills capability, recruitment & succession planning	Sector Risk Profile - Recruitment and Retention	High	2022/23	Limited		18
Corporate Resources	Service Improvement Programme (Channel Shift)	Adam Walther	Low	N/A	N/A		15
Corporate Resources	Improvement Recovery Planning (IRP)	Kevin Foster	Low	N/A	N/A		12
IT Audit: Application and Infrastructure Reviews							
Corporate Resources	Application Management	Adam Walther	Low	N/A	N/A		10
Corporate Resources	Cyber Security / Security Culture	Adam Walther	Medium	2021/22	Limited		10
Other Work: Mazars Review							
Management Time						13	13
Follow Up						7	6
Head of Internal Audit						12	12
Total Audit Days						181	175

TBC* Report issued in draft.

A2 Audit Universe

Audit coverage in prior years since 2019/20 and corresponding assurance to inform discussions on the Plan:

Audit Title (by alphabetical order)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Accounts Payable (Creditors)					TBC		
Accounts Receivable (Debtors)					TBC*		
Affordable Housing Delivery		Moderate					
Air Pollution			Substantial				
Application Lifecycle Management					TBC		
Asset Management - Managing Agents Health and Safety Compliance	Limited						
Brookwood Cemetery	Moderate						
Budgetary Control		Moderate				✓	
Building Control			Moderate				
Business Rates					Limited		
Cash Receipting and Collection Systems	Limited						
Commercial Property Estate – Management, Acquisitions, Disposals and Rents				TBC*		✓	
Community Centres	Moderate						
Complaints		Moderate					
Contract Management - Savills				Limited			
Corporate Debt Management				Moderate			
Corporate Governance Arrangements				Substantial			
Council Tax					Moderate		
Counter Fraud	Limited					✓	
Covid-19 Response		N/A Advisory					
Cyber Security			Limited				✓
Data Breaches	Moderate					✓	✓
Data Centre Air Conditioning Incident			Moderate				
Disabled Facilities Grant				Moderate			

Audit Title (by alphabetical order)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Economic Development		Substantial					
Emergency Temporary Accommodation			Moderate				
Empty Homes		Limited					
Environmental Health – Food Inspections				Limited			
Freedom Leisure Contract Management		Moderate					
Group Companies					Deferred	✓	
HMO and Selective Licensing	Moderate						
Homelessness	Moderate						✓
Homelink Handyperson Service	Moderate						
Homesafe Plus Service			Moderate				
Housing - Rent Collection					Limited		
Housing Allocations	Moderate						
Housing Benefit			Substantial				
Housing Infrastructure Fund (HIF) Project			Limited				
Housing Stock - Gas Safety				Unsatisfactory			
HR – Recruitment & Retention				Limited			✓
Income Management and System Recs					TBC*		
Insurance			Limited			✓	
Investment Programme			Moderate				✓
IT Disaster Recovery Arrangements				TBC*			
Joint Waste Management - Agreement Administration, Payments, and Budgetary Control				Substantial			
Key Financial Systems – Accounts Payable, General Ledger, Council Tax and Business Rates (NNDR)		N/A - Compliance	N/A - Compliance	N/A - Compliance			
Key Financial Systems Continuous Auditing and Monitoring – Phase 1	N/A - Compliance						
Key Financial Systems Continuous Auditing and Monitoring – Phase 2	N/A - Compliance						
Managing Agents - Health and Safety Compliance	Limited						
National Non-Domestic Rates (NNDR)	Moderate						
Office 365					Moderate		

Audit Title (by alphabetical order)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Off-Payroll Engagements (IR35)	Limited						
On Street Parking		Moderate					✓
OPENHousing IT Application Controls Audit			Moderate				
Overview and Scrutiny 'Effectiveness Review'		N/A					
Payroll		Substantial			TBC*		
Pension Fund Administration					TBC		
Planning Enforcement		Moderate				✓	
Private Sector Leasing		Limited					
Procurement - Compliance with Contract Standing Orders		Moderate				✓	
Remote Working			Moderate				
Right to Buy	Moderate						
Risk Management		Moderate					
S106/CIL/SANGS		Moderate					✓
Safeguarding Children and Adults		Moderate					
Sheerwater Regeneration Project - Project Management				Limited			
Street Cleansing and Grounds Maintenance Contract Management	Limited						
Taxi Licensing		Moderate					✓
ThamesWay Milton Keynes Energy Centre - Health and Safety Compliance	Moderate						
Treasury Management		Moderate					
Utilities and Energy Management		Moderate					
Waste Management				Substantial			

TBC* Report issued in draft.

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Mazars is an internationally integrated partnership specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 95 countries and territories worldwide, we draw on the expertise of 47,000 professionals – 30,000 in Mazars' integrated partnership and 17,000 via the Mazars North American Alliance – to assist clients of all sizes at every stage in their development.

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STANDARDS AND AUDIT COMMITTEE – 11 APRIL 2024

ALPHA ROAD – AUDIT OUTCOME

Executive Summary

Woking Borough Council applied to become an Investment Partner with Homes England in July 2020 to enable it to secure grant funding.

The Council subsequently secured £605,600 of Rough Sleeper Accommodation Programme (RSAP) funding in summer 2021 to acquire 8 properties as move-on accommodation for former rough sleepers. The Council targeted leasehold apartments to buyback within its own blocks and delivered all 8 properties ready for occupation by 30 June 2022.

The Council, specifically the acquisition of 31 Alpha Road under the RSAP scheme, was selected for audit as part of the Homes England 2023-24 Compliance Audit Programme. The Homes England Compliance Audit report awarded a red grading, indicating serious failure to meet requirements. The areas of concern relate to:

- Lack of comprehensive scheme file (Medium Level Breach)
- Incorrect data (Low Level Breach)
- Premature grant claim (High Level Breach)

This report sets out the learning from these breaches and any future actions required.

Recommendations

The Committee is requested to:

RESOLVE that

- (i) the Homes England Audit Report, as attached to the report, be accepted; and
- (ii) the Strategic Director - Communities be authorised to officially sign off the report with Homes England.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

Reporting Person: Kevin Foster, Strategic Director – Corporate Resources
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Date Published: 3 April 2024

1.0 Introduction

- 1.1 Woking Borough Council applied to become an Investment Partner with Homes England, to facilitate securing grant funding, in July 2020 and was approved as an Investment Partner in September 2020.
- 1.2 The Council subsequently secured £605,600 of Rough Sleeper Accommodation Programme (RSAP) funding in summer 2021 to acquire 8 properties as move-on accommodation for former rough sleepers. The Council targeted leasehold apartments to buyback within its own blocks and delivered all 8 properties ready for occupation by 30 June 2022.
- 1.3 The Council, specifically the acquisition of 31 Alpha Road under the RSAP scheme, was selected for audit as part of the Homes England 2023-24 Compliance Audit Programme.
- 1.4 The audit sought to ensure that the Council had met the requirements and responsibilities for grant recipients, as laid out in the Homes England Capital Funding Guide (CFG). Grant recipients must follow the requirements within the CFG to remain compliant in using grant for the purposes stated in their relevant grant agreement, maintaining proper records which comply with Homes England's terms and conditions of grant and providing relevant information to Homes England in accordance with the requirements of the grant conditions.

2.0 Audit process

- 2.1 TIAA Ltd were appointed by Woking Borough Council to act as an independent auditor. The audit was carried out during autumn 2023.
- 2.2 TIAA Ltd were required to submit their findings via the Homes England online audit portal and then the Council had 10 working days from the submission of the auditor's findings on 6 November 2023 to review all independent auditor findings and comment if there was additional information to raise.
- 2.3 Woking Borough Council's responses to questions raised by the auditor were submitted on 16 November 2023 and the Council was informed of the audit report recommendation on 15 March 2024.

3.0 Audit outcome

- 3.1 On review of the evidence provided, Homes England determined that there were issues indicating serious failure of Woking Borough Council in complying with all the programme requirements and guidance.
- 3.2 A red grade was assigned with one high level, one medium level and one low level breach being identified. A red grading is given when one or more high level severity breaches are identified.
- 3.3 Each breach detailed was accompanied by a recommendation from Homes England.

Breach 1 – Medium (Lack of Comprehensive Scheme File)

- 3.4 The first breach identified that a comprehensive scheme file was not maintained and did not include all required document(s). The scheme file did not meet the requirements of the Capital Funding Guide.
- 3.5 The Strategic Director – Communities picked up the audit coordination midway through the process in October 2023, when a number of requested documents were outstanding and overdue. Whilst most of the documents were located with some effort, it was acknowledged that record management had been weak.

- 3.6 Homes England's recommendation noted "We note the provider's comment that revised processes are now in place. Please ensure these revised processes have added the necessary steps to prevent similar issues reoccurring in the future and that these revised processes meet the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments."

Breach 2 – Low (Incorrect Data)

- 3.7 The second breach detailed that incorrect data had been entered onto the Homes England grant system (IMS). However, as these did not impact overall value for money to the grant funder, this was a low level breach.
- 3.8 The audit identified that key cost data detailed in the scheme file is less than the values entered on the IMS system. The Council had spent more of its own resources on refurbishment works than recorded on the system. Whilst this is permitted, the scheme should have been updated to reflect this. This error did not impact the value for money of the grant award.
- 3.9 In addition, the rental figures had been updated on the IMS system to reflect final rents, but not submitted correctly for approval. The rent figure was correctly submitted and approved during the audit process to rectify the issue.
- 3.10 Homes England's recommendation noted "The provider should review their processes and add the necessary steps to prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments."

Breach 3 – High (Premature Grant Claim)

- 3.11 The third breach identified that the Council could not evidence that it had commenced start on site works according to Capital Funding Guide definition. The Council claimed start on site on 30 March 2023, but the first evidence of any works being carried out was an asbestos survey being carried out on 12 April 2023.
- 3.12 It was believed that a lock change had taken place on the claim date, as this was excluded from the voids work specification (as would be usual practice), but no evidence could be found to support this.
- 3.13 Homes England's recommendation noted "the provider should review their processes and add the necessary steps to prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments."

4.0 Lessons Learnt

- 4.1 At its meeting on 6 July 2023, the Standards and Audit Committee received a report entitled 'Hale End Court – Audit Outcome' setting out the outcome of the Homes England Audit into the development and grant funding of Hale End Court. This audit highlighted similar (but a greater number of) concerns and breaches to the Alpha Road audit.
- 4.2 On 23 November 2023, the Committee received an update on how the learning points from the Hale End Court Audit were to be applied within the Council. Unfortunately, this was too late to impact the RSAP project, including Alpha Road, which had already been completed the previous year.

- 4.3 Both audits highlighted the need to constantly update scheme records on the Homes England IMS system to reflect changes and the need for robust record keeping.
- 4.4 Every project should complete a Project Workbook (business case) which must be reviewed and signed-off prior to the release of funds and commencement of the work. The Project Workbook captures a range key information such as scope, approach, funding, financial implications (validated by Finance), contract requirements, milestones, etc. Whilst the Council's project management approach provides the framework to track key deliverables linked to grant conditions, it was suggested that for complex grants, a detailed checklist should also be produced and tracked as part of the project oversight. This approach would have prevented some of the issues identified in the Alpha Road audit.
- 4.5 The RSAP project was not set up formally as a project using the corporate process. It is clear from the findings that a more robust project management approach should have been followed with this grant-funded scheme, particularly in relation to meeting key milestones and record keeping.
- 4.6 In addition, where the Council lacks expertise and/or experience in delivering grant funded schemes, there may be a role to bring in support from other organisations either to manage the grant claim process and/or to act as a critical friend. This is likely to be most applicable to large scale, complex grants, such as Homes England. There are a number of housing associations who do offer this service to local authorities, including the administration of the IMS system. In particular, this could have prevented breaches 2 and 3 from the RSAP audit, relating to incorrect data and the premature grant claim.
- 4.7 It is now widely accepted that the Council has lacked project management expertise, capacity and rigour in the past. An experienced project manager, familiar with the Homes England grant process and system, would most likely have avoided these breaches.
- 4.8 Significant progress has been made over the last 18 months in relation to project oversight and governance. A quarterly Corporate Programme Board meets (comprised of CLT) to review the status of all Council projects – the Board enables a more strategic conversation around risk, issues, and interdependencies between initiatives, and is designed to ensure a more joined-up approach. The Council's Programme Management Office has also been strengthened to oversee the delivery of the Council's Improvement and Recovery Plan and Fit for the Future change programme.

5.0 Corporate Strategy

- 5.1 Housing plays an important role in the health, social, environmental and economic wellbeing of everyone who lives in the borough. Good quality, decent and affordable homes contribute significantly to health and wellbeing. The acquisition of homes under the Rough Sleeper Accommodation Programme (RSAP) focused on supported vulnerable rough sleepers into settled accommodation.

6.0 Implications

Finance and Risk

- 6.1 The breaches and audit outcome are unlikely to impact the ability of the Council to apply for future Homes England grant funding. However, following the issuing of the S114 notice, the Council was notified by Homes England in August 2023 that it was not entitled to apply for any new grants for the foreseeable future, as the S114 Notice was deemed a withholding event.

Equalities and Human Resources

- 6.2 There are no specific implications outlined in the report.

Legal

6.3 Woking Borough Council is required to acknowledge acceptance of the report via the England online audit portal by 15 May 2024.

7.0 Engagement and Consultation

7.1 There are no specific implications outlined in the report.

REPORT ENDS



Compliance Audit Report – 2023/24

43UM – Woking Borough Council

Final Grade	Red - Serious failure to meet requirements
Independent Auditor Organisation	TIAA Ltd
Independent Auditor Name	Peter Harrison

Report Purpose and Objectives

The purpose of the Compliance Audit report is to confirm that grant recipients have met Homes England's funding conditions and contractual requirements and have properly exercised their responsibilities as set out in the Capital Funding Guide.

We use the audit findings (which are confidential between Homes England and the grant recipient) to inform our future investment decisions and to reassure the Homes England Chief Accounting Officer that public funds have been properly used.

Where findings have been determined as breaches they are then used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided at the end of this report. Where applicable the Provider is to use the recommendations to prevent similar breaches from reoccurring in the future and to aid good governance for complying with Homes England's policies, procedures and funding conditions.

Information about the audit process and guidance is available at: <https://www.gov.uk/guidance/compliance-audit>

Compliance Audit Grade and Judgement Summary

Final Grade	Red - Serious failure to meet requirements
Judgement Summary	On review of the evidence provided, the outcome of the audit has shown the provider has failed to comply with some programme requirements and there is a risk of misapplication of public funds. A RED grade has been assigned. The audit has identified a high breach, a medium breach and a low breach. The high breach relates to claiming the start on site grant in advance of need, the medium breach relates to a failure to maintain an appropriate scheme file and the low breach relates to erroneous IMS data in regards to rents and cost data. We wish to emphasise that implementing appropriate systems and procedures to meet Homes England contractual requirements and funding conditions is essential to ensure there is no future risk of misapplication of public funds. The provider is responsible for ensuring remedial action is taken in accordance with the recommendations listed in the



	Compliance Audit system to ensure further breaches of this nature do not reoccur in the future and Capital Funding Guide requirements are met.
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Scheme/Completions details

Scheme ID/ Completion ID	Address/Site ID	Scheme type
1064033	31 Apha RoadAlpha Road,GU22 8EL	Next Steps Accommodation - Capital

Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	3
Number of High Severity Breaches	1
Number of Medium Severity Breaches	1
Number of Low Severity Breaches	1

Details of Breaches by Scheme/Completion

Where there are breaches identified, remedial action must be taken in accordance with recommendations listed in the Compliance Audit Module to mitigate the potential for re-occurrence.

Breach 1

Scheme/Completion ID	1064033
Address/Site ID	31 Apha RoadAlpha Road,GU22 8EL
Breach severity	Medium
Breach description	1. Comprehensive scheme file (or equivalent) containing all relevant



	documents (as set out in the CFG) not provided
Breach comment	The audit has identified that a comprehensive scheme file was not maintained and did not include all required document(s). The scheme file not meet the requirements of the Capital Funding Guide.
Recommendation	We note the provider's comment that revised processes are now in place. Please ensure these revised processes have added the necessary steps to prevent similar issues reoccurring in the future and that these revised processes meet the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments.



Breach 2

Scheme/Completion ID	1064033
Address/Site ID	31 Apha RoadAlpha Road,GU22 8EL
Breach severity	Low
Breach description	7. Incorrect IMS data has been entered but there are no value for money implications. Examples might include typographical errors, or a failure to update the system with revised information
Breach comment	The audit has identified that key cost data detailed in the scheme file is less than the values entered in IMS and no variation has been sought and other IMS data was recorded incorrectly. Breach raised as the provider erroneously recorded the grant amount rather than the works costs within IMS and the rental figures have been recorded incorrectly in IMS. The capital funding guide has not been met as IMS was not kept up to date and accurate when it should have been.
Recommendation	The provider should review their processes and add the necessary steps to prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments.



Breach 3

Scheme/Completion ID	1064033
Address/Site ID	31 Apha RoadAlpha Road,GU22 8EL
Breach severity	High
Breach description	<p>16. Grant recipient had not met one or more of the following conditions at the point Start on Site grant payment claimed:</p> <ul style="list-style-type: none">• A works contract signed and/or dated by all parties• Contractual possession passed to contractor• Secure legal interest (e.g. no proof of ownership/lease/building under licence)• Start on Site works were commenced according to CFG definition
Breach comment	<p>The audit has identified that the Grant recipient had not commenced start on site works according to Capital Funding Guide definition. The provider claimed start on site on 30th March 2023 but the first evidence of any works being carried out which meet the Capital Funding Guide definition of start on site was not until an asbestos survey being carried out on 12 April 2023.</p>
Recommendation	<p>The provider should review their processes and add the necessary steps to prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments.</p>

Provider's Acknowledgement of Report

The contents of this report including all recommendations must be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement must be recorded in the IMS Compliance Audit System by your Compliance Audit Lead no later **than three calendar months** of the report email notification being sent.

Report acknowledged by:

Date:

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.



Compliance Audit Grade Definitions

Green Grade	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report shows that the provider has a satisfactory overall performance but may identify areas where minor improvements are required.
Amber Grade	One or more medium severity breaches identified. The Homes England audit report will shows that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
Red Grade	One or more high level severity breaches identified, the Homes England audit report shows that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.