

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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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.

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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			

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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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