

## INTERNAL AUDIT STRATEGY AND PROPOSED ANNUAL PLAN 2022/23

### Executive Summary

This report set out the Internal Audit Strategy and proposed Annual Plan for 2022/23, which details how the Council will meet its statutory requirements for Internal Audit.

The report explains that the overall level of audit coverage has been developed by applying a risk-based approach and overall coverage is similar to prior years in order 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 2022/23 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 Proposed 2022-23 Plan**  
March 2022

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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 2022/23, which details how the Council will meet its statutory requirements for Internal Audit.

## 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 Chief Finance Officer (CFO) and the Standards and Audit Committee of the Council. As Internal Audit is a major source of assurance that the Council is effectively managing its risks, a key rationale for developing the Internal Audit Plan was the Council's Strategic Risk Register (SRR).

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;
- Co-operation and working protocols with the external auditors (BDO) and any other relevant review bodies to ensure that assurance functions work effectively together; and,
- 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 2022/23

The Plan was developed by applying a risk-based approach. Its overall coverage is similar to prior years in order 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.

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

- Materiality and significance based upon budgets and volume of transactions;
- Historical knowledge and experience accumulated in Internal Audit, based upon the results of previous audits;
- Changes to the control environment or legislative changes since the previous internal audit;
- A review of internal audit themes against the Council's SRR and corporate objectives;
- Other sources of assurance available to the Council;
- Concerns and emerging risks as identified by the management team including the CFO and attendance and presentation to the Corporate Leadership Team (CLT); 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 2022/23 is 305, including 30 days for IT audit and 24 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 days for 2022/23 is 16 days below the original allocation for 2021/22 (321 days); however, since approval of the 2021/22 plan, six audits have been deferred with five being included in the proposed 2022/23 Plan (56 days). For the remaining audit deferred from 2021/22, following discussions with the CFO and CLT, the remaining deferred audit (Careline) was replaced with the Sheerwater Regeneration Project audit as it was considered a higher priority. The Careline audit will be included in the 2023/24 IA Plan.

The proposed 2022/23 Plan is presented in Appendix A. Risks referred to in the plan are those on the SRR.

## A1 Proposed Annual Plan 2022/23

	Title	Source	Scope/Notes	Indicative Days
<b>People</b>				
1	Disabled Facilities Grant	Deferred from 2021/22.	Policies and Procedures; Accessing to Funding; Works Performed; Performance and Financial Monitoring.	10
2	Community Safety	Discussion with CLT.	Strategy and Governance; Partnership Working; Data Sharing; Commissioned Services; Financial Management; Performance Management.	12
<b>Place</b>				
3	Environmental Health Inspections	Discussion with CLT.	Policies, Procedures and Legislation; Risk Ratings; Completion and Reporting of Interventions; Food Hygiene and H&S Inspections; Identification of Establishments, Registration and Issue of Licences; Complaints and Incidents; Enforcement Action; Provision of Advice; Management and Performance Information.	12
4	Waste Management	Discussion with CLT.	Contract Management – Joint Partnership .	10
5	Housing Stock - H&S Compliance	Discussion with CLT – Risk Register (Risk no. 1).	Framework, Policy and Procedures; Completeness of data/testing regime; Inspections/Survey/Risk Assessment Certificates; Implementation of Remedial Actions; Management Information.	20
6	Commercial and Investment Property Portfolio	Discussion with CLT – Risk Register (Risk no. 1).	Strategy; Asset Register and Management Plan; Acquisitions; Disposals; Determination of Rents; Cyclical Maintenance.	12



	Title	Source	Scope/Notes	Indicative Days
7	Contract Management - Savills	Discussion with CLT.	Contract Formalities; Specification and Schedule of Works; Contract Variations; Contract Monitoring and Performance Management; Management of Subcontractors; Payments; Financial Management.	12
<b>Us</b>				
8	Corporate Governance Arrangements	Discussion with CLT.	Governance Structure, Strategies and Monitoring; Decision Making Process; Conduct of Members and Officers; and Engagement of Stakeholders.	15
9	HR – Recruitment and Retention	Discussion with CLT.	Strategy, Policies and Procedures; Advertising, Recruitment and Selection; Integrity Checks; Calculation and Authorisation of Salaries; Pre-Employment Induction Tasks; Exit Interviews; Monitoring and Reporting.	10
<b>Corporate</b>				
10	Key Financial Control Testing – Accounts Payable, Accounts Receivable, General Ledger, NNDR and Council Tax	Standing item.	Testing of key financial controls in each financial system.	40
11	Thameswey Group Companies	Deferred from 2021/22.	Scope to be determined.	10
12	Victoria Square Development	Deferred from 2021/22.	Review of Internal Operations/Management.	12
13	Health and Safety	Discussion with CLT.	Policies and Procedures; Staff Training and Awareness; H&S Checks; Risk Assessments; Reporting Incidents and Follow-Ups; Management Reporting.	10

	Title	Source	Scope/Notes	Indicative Days
14	Business Planning	Deferred from 2021/22.	Priority Setting; Collation of Information and Development of Plans; Scrutiny and Approval; Communication; Monitoring and Review; Risk Management.	12
15	Corporate Debt Recovery	Deferred from 2021/22.	Scope to be determined.	12
16	Sheerwater Regeneration Project	Discussion with CLT.	Project Management Audit.	12
<b>IT Audits</b>				
17	Office365 Migration	Deferred from 2021/22.	Scope to be determined.	15
18	Disaster Recovery	Deferred from 2021/22.	Scope to be determined.	15
<b>Other Work</b>				
19	Follow Up Reviews	Ongoing	N/a	10
20	Management	Ongoing	N/a	20
21	Head of Internal Audit	Ongoing	N/a	24
			<b>Total Audit Days</b>	<b>305</b>