To:
All members of the
Audit Committee

Please reply to:
Contact: Chris Curtis
Service: Committee Services
Direct line: 01784 446240
E-mail: c.curtis@spelthorne.gov.uk
Date: 20 March 2019

Supplementary Agenda

Audit Committee - Thursday, 28 March 2019

Dear Councillor

I enclose the following items which were marked 'to follow' on the agenda for the Audit Committee meeting to be held on Thursday, 28 March 2019:

9.	**Corporate Risk Management**	**3 - 16**
	To note the report and recommend the Corporate Risk Register to Cabinet for approval.	
11.	**Internal Audit Annual Plan 2019/20**	**17 - 26**
	To receive the Internal Audit Annual Plan for 2019/20.	

Yours sincerely

Chris Curtis
Committee Manager

To the members of the Audit Committee

Councillors:

M.J. Madams (Chairman)	Q.R. Edgington	H.A. Thomson (Vice-Chairman)
C.A. Davis	J.G. Kavanagh	H.R.D. Williams

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

www.spelthorne.gov.uk customer.services@spelthorne.gov.uk telephone 01784 451499

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Audit Committee

28 March 2019

Title	Corporate Risk Management		
Purpose of the report	To note		
Report Author	Internal Audit Manager, Punita Talwar		
Cabinet Member	Councillor Howard Williams	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	**The Audit Committee notes the Corporate Risk Management report.**		
Reason for Recommendation	Not applicable.		

1.   Key issues

1.1   The Corporate Risk Register ensures the Council's significant risks are identified, managed and monitored. A risk is the chance of something happening or not happening that will have an influence upon the achievement of an organisations objectives. Risks may include failure to not seek positive opportunities.

1.2   The Register continues to highlight the direction of travel in implementing risk mitigating actions, ascertained from the status of actions previously recommended/identified. The narrative in the 'Progress' column supports the Red/Amber/Green (RAG) status granted and outlines developments where appropriate. In some areas new risk mitigating actions have been highlighted, which require monitoring. Overall positive progress has been made in a number of areas albeit some actions have not been fully implemented and/or are ongoing. There are currently no risk categories to which a red status has been assigned. Management Team has reviewed the Corporate Risk Register (**Appendix 1**).

1.3   There are a few risk categories where accountable officers have not responded in terms of providing updates on progress in implementing risk mitigating actions (reminders have been issued). These have been highlighted in the progress column. In those areas the Internal Audit Manager has recorded some updates, however this is not ideal as it is the responsibility of accountable officers to advise on the status of actions, as this encourages ownership for perusal of actions. The Chief Executive may wish to reiterate to

all Managers the importance of providing responses, given that the Council's Corporate Risk Register represents the Council's most significant risks and is regularly reported to MAT, Audit Committee and Cabinet.

1.4 The most significant risks to be highlighted at this review for consideration by Management Team and Audit Committee are set out at 1.3 (a) to 1.3 (c) below:

(a) **Safeguarding (14)** In view of the restructure at Surrey County Council's Children's Services there will need to be active monitoring of any likely changes to the safeguarding referral process and subsequent implementation (new action). Managers are aware of current challenges and an internal officer group has been set up which meets monthly to coordinate responding to safeguarding and early help issues.

(b) **Acquisitions and Investments (15)** Governance processes continue to be enhanced in this area. The Council approved the Capital Strategy in February 2019. Performance is monitored weekly at Development and Investment Group (DIG) and there are monthly meetings of the Investment and Property Committee (IPC), attended by the Leader and Finance Portfolio Holder. The Development and Improvement Group (DIG) receives timely updates on rental income collected on the Council's commercial investment assets and there is monitoring of the financial robustness of tenants in potential and acquired acquisitions. The procurement of a new Property Management System that enables the Property Manager to effectively manage Spelthorne's complete property portfolio is underway. Tenders for the Property Management System have been evaluated and a decision on the supplier will be made by 31ˢᵗ March with initial 'go live' implementation anticipated September 2019.

(c) **Brexit (17)** The Group Head Transformation and Commissioning is the corporate lead coordinating relevant action and is participating in Countywide Brexit Continuity Planning. A weekly report on preparedness for Brexit is issued to the Local Resilience Forum which feeds through to Central Government. Management Team and Services are kept aware of developments and the Group Head Transformation and Commissioning has assured that steps are being taken to address risks identified. A summary briefing note has been prepared to go to MAT/Cabinet/Audit Committee for end of March 2019 on possible implications of a Brexit "no deal" on the Council.

1.5 Several new risk mitigating actions underway or for perusal have been recorded on the risk register, relating to:

- Service Planning – risk category 3;
- Project Governance – risk category 4ii;
- ICT Security- risk category 6ii;
- Staff recruitment and retention – risk category 10
- Procurement – risk category 11a (v)
- Safeguarding – risk category 14 (ii);

- Brexit – risk category 17 (ii)
- Corporate Debt Group/Housing Benefits Overpayments/Rent Accounting System – risk category 19(iv)and (v)

2. Options analysis and proposal

2.1 To note and accept the contents of the Corporate Risk Register including any new risk mitigating actions underway or for perusal. The revised register is considered to be an accurate reflection of the high level risks affecting the Authority, as well as the progress made on actions previously proposed, based on our assessment of risk and controls in operation. (Preferred option)

Or:

2.2 To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

3. Financial implications

3.1 Resources required (staff time) to implement actions proposed in the Corporate Risk Register should be contained within existing budgets as far as possible. There may however be some areas where additional resource /time/management support is required in order to implement risk mitigating actions.

4. Other considerations

4.1 The Corporate Risk Register covers a wide range of risks and associated consequences including failure to deliver corporate objectives, failure in service delivery, anticipated project outcomes not being met, financial losses, and poor value for money, legal challenges and reputational damage. The three most significant risks identified as part of this review include safeguarding, asset acquisitions/investments and Brexit implications. Management Team may therefore need to assess if these areas are being adequately managed or require further resource/time and support.

5. Timetable for implementation

5.1 The Corporate Risk Register shows officers responsible for progressing actions, together with target timescales for implementation. The register is reviewed and updated three times a year by the Internal Audit Manager.

Background papers: There are none.

Appendices: Appendix 1 Corporate Risk Register

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APPENDIX 1

<u>CORPORATE RISK REGISTER</u>

This register summarises the Council's most significant risks which align to one or more Corporate Priority. It sets out controls in place and identifies any further action needed to mitigate risks .   A
Actions are assigned to appropriate officers with target dates for implementation. The relevant Portfolio Holder for each risk category is also highlighted.

Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)   Content reviewed March 2019 by the Internal Audit Manager
JULY OCT

PREVIOUS RAG	CURRENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		1. If Health and Safety fails it could result in death or serious injury to staff /public and legal action against the Council, with associated reputational damage **(CLEAN & SAFE ENVIRONMENT)**	2	4	4	Approved Health and Safety Policy. Health and Safety Plan. Health and Safety at Work Regulations. SHE (Safety Health and Environment) system with dedicated training . Health, Safety and Insurance Risk Manager. Dedicated Health and Safety Officer in Neighbourhood Services. Managers have a legal requirement to conduct regular risk assessments. Staff Induction training. Annual reminders to complete/update health and safety risk assessments (DSE, Homeworking, and Service). Annual Health and Safety checklist, activity and compliance programme for Managers. Health and Safety Champions and meetings. Personal Safety Training and Lone Worker protection process. IOSH training provision and Champions encouraged to attend. The robustness of inspections and site monitoring is periodically discussed at the Corporate Risk Management Group.	*1i. There is scope to tighten up controls relating to training, procedures and the Management activity/compliance programme 1ii. The inspection process across the authority needs to made more robust - regular inspections/site monitoring to be carried out and consistently documented to ensure evidence is available. 1iii A project is due to be undertaken to enhance the efficiency of the SHE system (health and safety management).*	HSIRM/ SEHM/ MAT/ All Group Heads * **Cllr Boughtflower**	30 June 2019 *R Requires Monitoring	1i. **Partially Implemented & Progressing.** Further documentation and development of Health and Safety Procedures is ongoing. 1ii.**Partially Implemented & Progressing** . The monthly Health and Safety Committee is now attended by most service areas, however, some services are regularly absent. Going forward an attendance register will be taken.Work has been undertaken to address the shortfalls in the inspection process with ongoing improvements in health and safety monitoring, however, further improvements are still required.The restructure of the parks team is nearing completion and greater control measures for supervision and inspection of this area are currently being developed. **1iii. Commenced.** Changes have been made to SHE to make it more user friendly, additional measures are planned. A number of SHE user guidance notes have been written, available to all service areas. Additional guidance notes will be developed. Systems for health and safety monitoring, along with auditing and review are to be developed and implemented.
		2. If there was a major Disaster in the borough, e.g. flooding, this may result in significant strain on council services **(CLEAN & SAFE ENVIRONMENT)**	2	4	4	Performance monitoring by Commissioning and Transformation. Emergency Planning support. Corporate Emergency Plan. Multi-agency flood plan reviewed January 2018. Membership of Local Resilience Forum (LRF). Regular testing of Emergency Assistance Centre plan. Borough Emergency Centre (BEC) Plans and staff training in 2017. Staff feedback considered in updates to (BEC) plan and equipment. Incident management and Multi-Agency training. Prevent Strategy training and awareness (March 2017).	*2i. The Corporate Emergency Plan is currently being updated and reviewed .*	CX (DM)/ GH C & T* **Cllr Harman**	Completed/ Ongoing Monitoring	2i. **Implemented.** The corporate emergency plan has been reviewed and updated plus a public version placed on the Council's website.
		3i. If performance at corporate and service level is not effectively managed then the authority could fail to deliver priorities, objectives and targets. 3ii. If there is failure to align service objectives to corporate priorities and objectives this could result in services not meeting residents /stakeholder needs. **(ALL PRIORITIES)**	2	3	3	Corporate Planning process incorporates a vision, priorities and targets. Monitoring by Members and Management Team. Service Planning and review process. Individual Service Plans should consider the Council's Corporate Priorities and statutory/other responsibilities (this is in the guidance). Service performance monitored by Management Team. Individual performance monitored through 1 to 1's and the appraisal process. Appraisal timetable. Priority Flagship project performance is reported regularly to Management Team and Members. Corporate Annual Report for 2017/18 reported to Cabinet in July 2018.	*3i. To initiate process for 2019/20 Service Planning in February 2019. 3ii. Quarterly reporting and monitoring of Service Plan implementation (NEW). 3iii. Improved alignment between Service Plans and the Corporate Plan as well as the budgetary cycle is planned . (NEW)*	MAT / DCX LO/GH C & T /Group Heads & Managers * **Cllr Boughtflower**	i. Completed/ Ongoing Monitoring ii. 30 September 2019 * O Requires Monitoring iii. 2020 * O Requires monitoring	3i. **Implemented.**The process has been initiated with Service Plan templates issued and planning currently underway. 3ii & 3iii **NEW ACTIONS** Proposals for more frequent reporting and monitoring of progress in implementing service plans for 2019/20 have been communicated to Group Heads and Managers, as have further planned developments to the service planning process.

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		4. If there are inadequate project management arrangements (including lack of resources and relevant expertise or skills), then outcomes are unlikely to meet community/ service needs or projects fail to be delivered on time/ to budget. If projects do not incorporate sufficient governance standards, then this could result in poor decision making and unclear justification for actions, resulting in potential challenge **(ALL PRIORITIES)**	2	3	3	Project governance framework/methodology includes processes for project initiation, resource planning, risk assessment, and progress reporting processes. Corporate Project Register updated as necessary. Corporate Project resource is in place but ownership for ensuring that project documentation is completed, resource implications assessed and necessary control processes are applied rests with Project Managers and Sponsors. Priority Flagship project performance is reported weekly to Management Team and includes asset acquisitions and development projects. On a quarterly basis a report goes to MAT, Cabinet Briefing and Overview and Scrutiny committee outlining progress made with projects and the work of the corporate project team.	*4 i Management team to consider limited capacity and revenue implications prior to approving additional / new projects. (Ongoing) 4ii . Whilst the Council has a proportionate project governance framework, consistent and proportionate application of project governance arrangements are required to contribute to the likely success of projects whilst reducing potential risks of delays and overspend. Effective governance should incorporate the necessary structures and processes to support key decisions and approvals, promote the need for robust plans, monitor progress against pre-determined plans and milestones, and include regular effective reporting to Management Team and Members. 4iii. An internal audit review of Project Governance is currently underway (NEW)*	MAT/GH C&T /Group Heads* **Cllr Boughtflower**	30 June 2019 * R Requires Monitoring	4i. **Ongoing.** Approx. 35 projects are currently being tracked through the Project Office . Resourcing of projects remains an ongoing challenge as officers are often balancing several work tasks. Through the root and branch review of Services, the Commissioning and Transformation team will continue to identify projects and resources required but also improve processes and systems to assist the organisation's capacity and resilience. This also links in with risk categories 8 & 9 below. (There are no further developments to report) 4ii. **In Progress**. Some processes have been implemented, such as weekly reporting to Management Team and quarterly reporting to Overview and Scrutiny Committee on the status of projects (Dashboard), enabling improved oversight and an opportunity to highlight any issues/actions required. Other areas remain ongoing , eg the Group Head for C & T has advised that amendments to project documentation have been completed and are to be rolled out to assist in any start up process and project monitoring.
		5a. Information Governance risks relating to organisational measures. Non compliance with data protection legislation. Information could be processed inappropriately resulting in breaches of the DP legislation, Information Commissioner fines, reputational damage. and loss of public confidence. Potential to breach Freedom of Information (FOI) Act resulting in disclosure of personal data or commercial sensitive data, and ICO enforcement. **(ALL PRIORITIES)**	4	4	4	Mandatory data protection online training on a yearly basis. In house (more specific) training for staff continues as requested by services; supplemented by external training. Member training. Data Protection Officer (trained and experienced) provides ongoing guidance on the Data Protection Act (2018), and the Privacy and Electronic Communications Regulations. Information Governance structure agreed by MAT and made available on Spelnet; this identifies the Senior Information Risk Owner (SIRO) and lines of responsibility for Information Assets. Data protection compliance plan for services agreed by MAT+ and distributed to Group Heads and Managers to progress data protection compliance within service lines. Information Asset Owners identified. FOI requests: FOI online training and guidelines, FOI process flowchart, online FOI module and templates for response text are available	*5i. Data Protection Officer to pursue plan to ensure information assets are identified and managed. 5ii. Raise awareness of Information Governance and the requirements of the DP legislation amongst staff and members. Identification of detailed training requirements in services. 5iii. Information flows to be mapped and completion of information assets registers for all areas. (SEE ALSO FURTHER ACTIONS BELOW)*	GH C & T */IGO * **All Portfolio Holders**	30 June 2019 * R Requires Monitoring	5i. **Implemented & Ongoing :** The Data Protection Officer has produced a detailed work plan to work towards GDPR compliance. This has fed into the data protection compliance plan for services (issued Autumn 2018) - see 5v. 5ii. **Implemented & Ongoing :** The level of data protection awareness in the Council continues to increase. The temporary administrator was trained and helped move forward completion of many of the Information Asset Registers. The administrator has now taken a job elsewhere, but due to the volume of work a further 9 months will be contracted. A total of 78 staff members have been trained with a further 28 still to attend training delivered by the Data Protection Officer. 5iii. **In Progress -** Process flows are being mapped as part of the Route & Branch review being undertaken by the Projects team which will significantly assist with mapping data flow.
		See above (Continuation of risk category 5a).				See above (Continuation of risk category 5a).	*See above (Continuation of risk category) 5iv. An Internal Audit review of GDPR preparedness was undertaken in April 2018 highlighting the position and recommending improvement actions. In particular there are lessons around resource planning and application of corporate project processes, which are currently being considered by Management. 5v. Group Heads to ensure that the Data protection compliance plan for services is followed to progress compliance within service lines. This plan includes identification of information assets and data mapping (relates also to 5i & 5iii above).*			5iv. **In Progress** - Some recommendations are being addressed and overlap to some degree with other actions in this category. 5v. In **Progress**- Deadlines in the data protection compliance plan for services have not been achieved in many areas.

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(green)		5b Information Governance risks relating to technological measures. If security breaches occurred this may cause system failure, non compliance with various information legislation which might lead to Information Commissioner fines/enforcement and reputational damage, with loss of public confidence. **(ALL PRIORITIES)**	2	4	3	Data Back up and continuity arrangements managed by ICT and tested by Managers. ICT security policies and security alerts. Personal Commitment statement required from staff on appointment. ICT security group assess ongoing risks. Series of Security Awareness updates conducted in October 2017 for all staff and a representative from the Cyber Crime Unit raised specific awareness of Cyber crime in July 2018 (mandatory session). Information Governance Officer in post. ICT Disaster Recovery test conducted in November 2017 (successful) and further test planned in May 2019.	*NONE*	GH C & T*/DHICT * **Cllr Boughtflo wer**	Completed/Ong oing Monitoring	N/A
(orange)		6. Failure to meet the minimum security requirements of the Government's Public service Network resulting in termination of connection to any other government sites/data; unavailability of ICT systems impacts service provision; unauthorised creation & amendment of records for fraudulent purposes; inadequate measures to combat cyber security attacks or respond effectively resulting in reputational damage and financial losses **(ALL PRIORITIES)**	2	3	3	National Cyber Security Strategy. A review group assesses compliance with security requirements - Public Service Network (PSN). Successful certification of the Public Service Network (PSN) compliance. Security measures include firewalls, encryption, egress, black-listing of memory stick,CD's and DVD'S, and universal serial bus (USB) ports locked down. Dual factor authentication on all laptops. All Baseline Personnel Security Standard checks completed. Annual health check and security penetration test, with all risks flagged up addressed (last exercise February 2018). Mimecast e-mail filtering software in place. Disaster Recovery plan for ICT developed alongside Applied Resilience. ICT Strategy consistent with the core objectives of the Council. Network refresh undertaken. System Administrators are currently assigned for each key application system, with privileged access rights to undertake relevant duties. Independent review of the ICT function undertaken in 2018.	*6i.As System Administrators also have operational and processing roles within the associated service area, this lack of segregation of duties (between operations and administration) increases associated risks of fraud or error. This is a longstanding issue which requires ongoing review by Management Team.* *6ii. An ICT Audit Needs Assessment is currently underway to highlight risks for further consideration in the audit planning process. (NEW)*	DHICT *Cllr Boughtflo wer	30th June 2019 R* Requires Monitoring	6i. **In Progress** - Discussions with the ICT Manager have confirmed that anyone with Systems Administrator rights has the ability to grant themselves processing functionality - regardless of whether they are part of the front end service or support the back end ICT function and therefore it is very difficult to achieve full segregation of duties. Given that these risks prevail Internal Audit have highlighted the importance of applying compensating controls within service areas (raised at the Corporate Risk Management Group in December 2018 and continue to be promoted during audit reviews).
(orange)		7. Ineffective business continuity planning to cover loss of building, equipment, ICT or staff could lead to loss of service or disruption in a real scenario **(CLEAN & SAFE ENVIRONMENT)**	2	3	3	New contract in place from September 2018 for ongoing provision of Business Continuity Planning support . Performance monitoring by Commissioning and Transformation. Business Continuity (BC) Policy . Corporate Business Continuity Plan and Service Level plans with periodical review. The BC Forum oversees progress of BC planning. Business Impact Assessments . Emergency protocols for loss of building access/loss of power/loss of ICT are being developed. Emergency messaging system for staff. Telephony resilience. Key responders - Incident Management Team and recovery team.	*7i. Management Team are keen to undertake a fire evacuation procedure combined with a scenario where re-entering the building is not possible. 7ii. Management Team have highlighted that bomb awareness procedures require updating.*	GH C & T*	30 June 2019 R * Requires monitoring	7i. **Outstanding**. Applied Resilience are organising an exercise for late Spring 2019. 7ii. **Implemented** - Security policy updated and Applied Resilience have a text messaging system which will alert staff and instruct on whether to leave or stay where they are. Service level business continuity plans are being reviewed and updated.
(green)		8. If there is over reliance on individual officers then in the event of absence or departure this may cause a gap in technical/systems knowledge and expertise, with subsequent failings in delivery of functions/ services **(ALL PRIORITIES)**	3	3	3	Business continuity arrangements to cover loss of key staff. Critical procedures should be documented and staff appropriately trained. Any weaknesses in resilience arrangements should be highlighted in the service planning process. In some service areas greater resilience is being built into teams with some individuals taking on a variety of roles. (An example of this is the Project Officer/Committee Manager within the Commissioning and Transformation team)	*8i. Management Team to keep resilience arrangements under review. 8ii. Root and Branch service reviews are underway giving consideration to resilience, resourcing and capacity.*	MAT/ Group Heads/ GH C & T * **All Portfolio Holders**	30 June 2019 R * Requires monitoring	8. **In progress.** Resilience is one of the issues being considered as part of the root and branch service reviews during 2018/19 and into 2019/20. There are no further developments to report in this area.

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		9. If increased service demands coincide with a lack of staff resources/capacity to deliver then this may result in reduced morale, high staff stress levels, delays and errors, increased turnover, with subsequent failings in delivery of services **(ALL PRIORITIES)**	2	3	3	Short term reductions in capacity are accommodated by prioritisation and reallocating work . Longer term impacts and changes to demand may be more difficult to address. Employment arrangements and staff support mechanisms. Market supplements/allowances to assist with recruitment and retention. Training and development. Performance management systems, (appraisals, one to one's). Regular staff meetings. Stress audits (risk assessments) can be arranged if necessary. Human Resources reporting to MAT. Significant investment was built into the 2017-18 & 2018-19 budget to address resourcing for some service areas (such as HR, Legal, Independent Living).	*9i. Management Team will need to keep resourcing levels under review, particularly the impact of new projects and any statutory obligations on service/project delivery.* *9ii See action at 8ii above relating to Root and Branch reviews.*	MAT ***Cllr Boughtflower**	30 June 2019 R * Requires monitoring	9i. **Completed/Ongoing Monitoring**. Additional staffing resource approved for some areas in 2019/20. 9ii. **In Progress** - Root and branch review of services have commenced in order to identify efficiencies and capacity issues which can be resolved to improve organisational performance and resilience . Mandatory training to raise awareness of mental health is to be delivered in due course.
		10. If there are prolonged staff vacancies due to inability to recruit, then this may result in a failure in service delivery **(ALL PRIORITIES)**	3	4	4	Market supplements awarded to certain roles when recruiting. Annual review of recruitment and retention allowances. Salary review/enhancements in some services. Posts advertised with Surrey Jobs as well as a wider network of job sites. Specialist websites are also used to advertise posts where necessary. Annual report summarising staff recruitment and turnover. National apprenticeship scheme. Levy to be focussed on upskilling internal employees aswell as some recruitment of new apprenticeships. Local arrangements in place for deciding pay awards and to local terms and conditions of employment	*10i. Human Resources to monitor the effectiveness of measures taken to improve recruitment and retention across the authority , in collaboration with Services.* *10ii. Any future review of the recruitment and retention strategy should consider the feasibility of a staff referral scheme (NEW).*	MAT/Group Heads/ /GH C & T/HRM * **Cllr Boughtflower**	30 June 2019 R * Requires monitoring	10i. **In progress.** The Council has moved to local arrangements for deciding pay awards and to local terms and conditions of employment rather than continuing with nationally agreed pay awards and conditions. There are many external factors which have an ongoing impact on recruitment and retention.
		11a. Procurement - If governance arrangements are weak with a lack of transparency, this could result in any of the following: financial penalties for non-compliance with legislative requirements; contractual disputes and claims through poor specifications; contractors/partners failing to deliver expected outcomes; reputational damage, challenge and poor VFM. **(This section links also with section 4 above - Project Management) (ALL PRIORITIES)**	3	3	3	Contract Standing Orders (April 2016). Contract guidelines with compliance checklist. Requirement for declaration of interests (Officers and Members). Corporate Procurement training last provided in October 2014. E-procurement system in place and contracts sourced with this solution. Revised Procurement strategy and action plan to facilitate monitoring. Developing improved reporting systems. Interim Procurement Manager in post to establish revised procurement processes. Enhanced monitoring for key suppliers now added to the S&P Watch list to enable concerns to be picked up pro-actively	*11i. Full compliance with the Local Government Transparency Code is required and should be confirmed once achieved.* *11ii. To ensure there is an ongoing reference for officers involved in procurement activity, Procurement and Contract Management guidelines need to be updated and publicised to reflect regulatory changes of 2015.* *11iii. Implement a programme of training for contract managers where the principles of Contract Standing Orders and Contract Check list form the core element of the learning.* *11iv. The future of the Procurement Board to be considered as part of a review of all boards across the authority.* *11v. Revised Procurement processes are being established . (NEW)*	MAT /HOCG *Cllr **Boughtflower**	30 June 2019 R * Requires monitoring	**March 2019 - No further updates have been received in this area (HOCG).** 11i, 11ii, 11iii & 11iv . **In Progress .** Compliance with the transparency code is being addressed through the purchase of a procurement and contract management system used by 27 local authorities. The role has recently been transferred to Corporate Governance on departure of the former Procurement officer. An interim Procurement Manager has been employed to address outstanding issues, as well as establish revised processes. A decision as to whether a procurement board continues will also be considered through the Project Governance process and liaison with service areas, as there are close linkeages between project governance and procurement . 11v. Following the transfer of the Procurement function, the Procurement strategy and policy have been revised in February 2019 and an initial indicative spend analysis exercise undertaken. Revised procurement processes are being established and the service are planning for/implementing changes. The Head of Corporate Governance will be attending Audit Committee in March to provide an update.

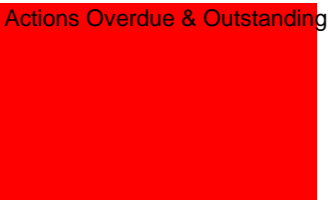| PREV IOUS RAG	CUR RENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		11b. Major Procurement - A lack of ongoing forward planning in preparation for the expiry of existing Leisure Centre arrangements in 2021 may result in delays in delivery of key project milestones and provision of leisure facilities to the community. If the project is not effectively managed, this could result in overspends, delays and significant ongoing strain on the Council's financial resources. **(This section links also with section 4 above - Project Management)**	3	3	3	Current Leisure centre operator contract ends 2021. "Leisure Centre Needs Analysis" submitted to MAT in 2014 and updated in 2017, which endorsed the recommendation to carry out a feasibility study. A high level discussion document was presented to Cabinet in October 2016 and a project team formed. Project Sponsors and Project Managers identified. Project related documentation. Risk Register. Councillors and staff kept informed of key progress milestones, requirements and timeframes . Feasibility study completed March 2018 by specialist Advisors, design brief signed off and public consultation undertaken in summer 2018 .	*11bi. Assessment of possible sites for the new leisure centre is under consideration with further proposals for consultation to be issued in due course .*	Dcex (LO)/ Group Head CW* **Cllr Attewell**	30 June 2019 R * Requires monitoring	11bi. **March 2019 - In Progress -** The report to Overview and Scrutiny in January 2019 states that a timetable for the next phase of consultation on the Council's plans for a new Spelthorne Leisure Centre will be decided once the review of alternative locations for the facility have been completed and options identified. The team are continuing to assess alternative sites and are intending to peer review those to obtain an independent view, prior to any public consultation.
		12. External factors including national housing shortage , insufficient affordable properties, London Boroughs increased use of Spelthorne properties and welfare reforms such as Universal Credit may all impact on the effective delivery of Spelthorne's Housing Service to the community. Ongoing uncertainty over recovery of outstanding Housing Benefit debt. **(HOUSING)**	3	3	3	Group Heads/ MAT/Members are aware of ongoing risks in this area. Universal Credit rollout/migration is under consideration. Housing Benefit regulations stipulate limitations around overpayment debt recovery. Current debt stands at approx. £3m. Internal Audit review of Housing Benefit Overpayments completed March 2019 and recommendations agreed by management (see risk category 19). Discretionary housing payments Corporate Debt Group and Strategic Housing Group monitor progress. Officers and A2D continue to work with families affected by the benefit cap. Close working with private landlords. Landlord guarantee scheme. Knowle Green Estates (subsidiary) focusing on the Housing Delivery Programme. The Council was assessed by the Ministry for Housing, Communities and Local Government as being well prepared for the implementation of the 2018 Homelessness Reduction Act, which was reported to Overview and Scrutiny in January 2019.	*12i. Management Team to continue to monitor the ongoing pressures facing the Housing Service (including impact of County Council cuts and statutory changes).*	MAT / Joint Group Heads CW * **Cllr Francis**	Completed/ Ongoing Monitoring	12i. Ongoing. Overview and Scrutiny at its January meeting received a positive report on the successful implementation of the Homeless Reduction Act.
		13a. Uncertainty over economic growth and supplier failure could impact on: • Delivery of contracts and services • Business Rate income collected/retained , thereby affecting the Council's overall finances. **(ECONOMIC DEVELOPMENT & FINANCIAL SUSTAINABILITY)**	2	3	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners. Enhanced Monitoring arrangements implemented as key suppliers now added to the S&P Watch list . Aim to maximise Business Rate collection/minimise losses for the Council. Additional quarterly monitoring of collection and projected outturn retention implemented . Additional counter fraud resource is available to identify and investigate potential tax avoidance and evasion cases, which can be translated into cashable savings for the authority. (Being pursued under Corporate Counter Fraud work).	*13i. Impact of Business Rate arrangements on Council finances is under ongoing review. 13ii. Spelthorne are participating in the 100% retention of business rates pilot for 2018/19 providing further incentive to maximise income collection*	DCX (TC)/Actin g Group Head CR * **Cllr Barnard & Cllr Williams**	Completed/ Ongoing Monitoring	13i. **Implemented and ongoing.** 13ii. **Implemented and ongoing.** Currently on track to generate an estimated net additional £800k from the 2018-19 "100%" Business rates retention pilot.

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		13b. If the Economic Development Strategy fails to be implemented, this could impact on growth (**ECONOMIC DEVELOPMENT**)	2	3	3	Regular reporting to Members. A 5 year economic assessment & development strategy for 2017 - 2022 (previous audit recommendations were taken into account). Economic Development Strategy is reviewed every twelve months. Annual review and refreshing of the strategy, enabling targets that have been achieved to be commented upon and removed; new targets that have emerged over the previous twelve months are then included. Prioritisation of projects to benefit from the business rates retention has been completed.	*13bi. Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review. 13bii. Regarding governance, through the EDEG 5 areas have been identified as the most important areas of delivery within the strategy and will be reported on every 6 months to the group to strengthen performance monitoring. The refreshed strategy needs to be approved by the EDEG. (REVISED)*	DCX (TC) */GH R & G*/ EDM* **Cllr Barnard**	Completed/ Ongoing Monitoring	13bi & ii. **Implemented and ongoing review**.
		14. If there was failure to comply with statutory duty / adhere to Safeguarding Policy, (including failure by County to address Spelthorne referrals), this could lead to death or injury to a child or vulnerable adult, resulting in legal action and reputational damage. (**CLEAN & SAFE ENVIRONMENT**)	2	4	4	Council has statutory responsibility for safeguarding children and Adults. Approved and publicised Safeguarding policies and procedures. Staff and Member training. All referrals to Surrey County Council should be reported to a nominated Spelthorne Officer. Regular liaison with Surrey County Council and the Surrey Safeguarding Children's Board (SSCB). Annual Section 11 audit (a review of training records was also undertaken in 2018). Liaison with Human Resources for training purposes and DBS checks. Online safeguarding training module and cascade training. Procedure to deal with the Multi Agency Safeguarding Hub (MASH) enquiries. Spelthorne is represented on the new Early Help Advisory Board by the Deputy Chief Executive. A restructure of Surrey County Council Children's services is currently being undertaken. This will mean that the procedure for referrals to MASH/Early Help will change.	*14i. Officers are currently undertaking the statutory children's Safeguarding audit which is completed annually. Any recommendations arising are to be considered. (REVISED) 14ii. Monitoring of any likely changes to the safeguarding referral process and subsequent implementation (NEW)*	DCX (TC)/LSM/I LM/Joint Group Heads - CW * **Cllr Attewell**	30 June 2019 R * Requires monitoring	14. **Completed/ongoing monitoring**. Awaiting feedback from the statutory audit recently undertaken. With the transformation taking place at Surrey County Council it has been more challenging to maintain key relationships and to understand changing processes. An internal officer group has been set up which meets monthly to coordinate responding to safeguarding and early help issues.

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		15. In light of ongoing reduction in Central Government funding, if opportunities for significant income generation and investments are missed, then this will impact on the Council's ability to close the budget gap and deliver vital services. If weak governance arrangements prevail, this may contribute to poor investment outcomes and increase exposure to financial risk including loss of anticipated rental income and poor investment returns. (**FINANCIAL SUSTAINABILITY**)	3	4	4	Long term strategic/financial plan. Corporate Plan / priorities reviewed. Member engagement. The Council is applying innovative ways to fund services and create new revenue streams through significant commercial asset acquisitions and investments. Since September 2016 an additional ongoing annual net income of £9.5m has been generated from commercial asset acquisitions. This enabled a balance budget to be set for 2018-19 and to make revenue contributions towards capital to put capital programme financing on a more sustainable basis. Investment Asset Strategic Parameters approved by Council in December 2017. Advice is sought from the Treasury Management advisors as appropriate. Thorough due diligence undertaken with respect to leases and acquisitions and with respect to evaluating strength of covenant of tenants- now using S&P to evaluate. A second set of advisers used to independently assess the robustness and appropriateness of modelling assumptions for acquisitions. A robust governance framework has been developed and continues to support property acquisitions and investment processes, to include 1. Asset Governance framework and action plan; 2. Property Investment Strategy; 3.DIG meet weekly to track project progress plus a Councillor led Investment and Development Committee; 4. Revised regulatory investment guidance (Feb 18) requires LA'S to develop quantitative indicators to assess a local authority's total risk exposure as a result of its investment decisions, with reporting on Prudential indicators; 5. Presentation by the Portfolio Holder for Finance and DCX (TC) to O & S on the council's approach to management of risk; 6. Robust Treasury Management Strategy; 7. Weekly update to MAT on status of Priority Flagship projects(incl. commercial asset acquisitions).	15i. A robust governance framework continues to be developed to support property acquisitions and investment processes. Further actions for this risk category are recorded below.	MAT/GH R & G* **Cllr Williams**	30 June 2019 R * Requires monitoring	**15i. Implemented/ Ongoing .** Performance is monotrined regularly at Development and Investment Group (DIG) and a quarterly performance report is produced for the Investment Portfolio. DIG comprises of senior officers from across the Council and meets weekly to undertake a review of performance of acquisition, progress of developments, and evaluation of possible acquisitions. Monthly meetings of Investment and Property Committee (IPC), on which Leader and Finance Portfolio Holder sit, review and discuss performance of investments, developments and consider/ evaluate possible acquisitions and whether to put forward to Cabinet for consideration. Planned reporting of prudential indicators has taken place and went to the Development and Investment Group (DIG), with formalised reporting to take effect once the new Property Management System is operational. Council approved at its February meeting the Capital Strategy. The new draft Strategy was scrutinised by Overview and Scrutiny as a draft before going to Council for approval. **15ii. Progress underway-** Work is underway to deliver a new Property Management System to effectively manage Spelthorne's property portfolio (investment, community, commercial and residential properties).Tenders for the Property Management System have been evaluated and a decision on the supplier will be made by end of March with initial 'go live' implementation anticipated September 2019.The Council uses expert external advisors (where required) for its investment portfolio to manage matters such as service charges.
		15. In light of ongoing reduction in Central Government funding, if opportunities for significant income generation and investments are missed, then this will impact on the Council's ability to close the budget gap and deliver vital services. If weak governance arrangements prevail, this may contribute to poor investment outcomes and increase exposure to financial risk including loss of anticipated rental income and poor investment returns. (FINANCIAL SUSTAINABILITY)					15ii. Robust and effective systems need to be in place to record and recover significant rental income due to SBC from it's increased property portfolio. 15iii. In view of the level of development work being undertaken as a result of property acquisitions, robust monitoring arrangements need to be in place.			DIG receives timely updates on rental income collected on the Council's commercial investment assets. The Deputy Chief Executive has advised that 93% of commercial assets rent for quarter 3 was received within 7 days , with no outstanding amounts. **15iii. Progress underway -** The Group Head for Regeneration and Growth prepared a briefing note for Audit Committee in November 2018 on monitoring arrangements, for example quality control measures undertaken by professionals. The Council has brought in additional advisers to provide a second opinion on lead advisers advice, and to produce reports on the financial robustness of tenants in potential and acquired acquisitions. The Council has subscribed to Standard &Poor's credit rating database and set up watch lists for its tenants to alert it to any deterioration in the health of its tenants. Where there is any deterioration the potential impact of this is reviewed by the internal team. Sensitivity analysis is undertaken with respect to variables such as rental growth.

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PREVIOUS RAG	CURRENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		16. If there is reduced service capacity then this may result in greater instances of error, loss, fraud, theft , irregularity, all representing a loss of internal control. (ALL PRIORITIES)	3	3	3	Management as the first line of defence in the overall assurance framework are responsible for maintaining key services and internal controls. Reduced resource levels in some areas are likely to impact on the ability to operate an adequate level of controls. For example segregation of duties is not always possible and there may be fewer management checks. In such cases compensating controls are required which is promoted by Internal Audit where deemed appropriate. In some areas additional resources have been provided and key governance roles have also now been in place for some time in areas such as Procurement and Information Governance.	16i. A recurring theme across some service areas is resourcing constraints often combined with weak resilience arrangements. These are often highlighted as reasons for controls and governance processes being compromised within functions/corporate systems and processes. Associated with this is a lower level of assurance and therefore MAT need to keep this area under review. 16ii. Effective reconciliation exercises between key financial systems represent a fundamental financial control and need to be carried out regularly to enable prompt identification and investigation of discrepancies, errors and potential fraud. Adequate staff contingency arrangements need to be built into the process.	Group Heads/ MAT/DCX (TC) All Portfolio Holders	Completed/ Ongoing Monitoring	16. i. Completed/Ongoing Monitoring - Additional growth to provide additional resources in HR, Accountancy, Legal and Property was built into the 2018-19 budget and various appointments have since been made. Further growth approved and built into the 2019- 20 Budget for ICT, HR, Environmental Health and Assets. Resilience is being considered as part of the root and branch service reviews. 16ii. Completed/Ongoing Monitoring - Monthly reconciliations are undertaken and additional staff resource has been focused on resolving residual issues. A review of the Accountancy structure is also planned to take place shortly which may help further to assess staff contingency arrangements/requirements.
		17. In light of the changing political landscape & Brexit, this represents many potential uncertainties of a recruitment, financial, regulatory and supply chain management nature arising from currency devaluation/volatility, trade, investments, relocation of Partners/Suppliers, changing access to EU funds, level of compliance with EU regulations , workers rights (EU Nationals). These could all impact on existing policies, procedures, and processes. ALL PRIORITIES	3	3	3	The Group Head for Commissioning and Transformation is the Corporate lead for Brexit. Summary briefing note issued to MAT/Cabinet/Audit Committee in August 2018 on possible implications of a Brexit "no deal" on the Council .This note highlighted the potential indirect impact in terms of skills shortages with implications for increased costs and timings, particularly in the construction and social care sectors. Brexit Continuity Planning continues to takes place.	17i. MAT to regularly consider potential Brexit uncertainties for Spelthorne and have a plan in place to address. 17ii. Group Head Transformation & Commissioning is participating in regular Countywide Brexit Continuity Planning meetings and briefing MAT and Group Heads. Briefing paper on Audit Committee Agenda for 28th March 2019 (NEW)	MAT/ Group Heads All Portfolio Holders	30 June 2019 R * Requires monitoring	17i. Progress underway - MAT and Group Heads are briefed regularly regarding developments. 17ii. Progress underway - There is ofcourse continued uncertainty associated with scenario planning for Brexit. The Group Head for Commissioning and Transformation considers that overall Spelthorne are aware of the risks and trying where possible to address these. A weekly report on preparedness for Brexit is issued to the Local resilience Forum which feeds through to Central Government. Also attending weekly tactical and fortnightly strategic teleconferences with the Local Resilience Forum to ensure contingencies where appropriate in place. Services are updating on any information/impacts relevant to their service via weekly reports back to the LRF and onto central Government. Services are noting potential implications including staffing, environmental health and data protection. The Group Head for Commissioning and Transformation has prepared a summary briefing note to go to MAT/Cabinet/Audit Committee for end of March 19 on possible implications of a Brexit "no deal" on the Council.
		18. If the Council receives a poor return on long term investments and/or investments become insecure in the current climate, then this will have an adverse impact on the Council's financial position. (FINANCIAL SUSTAINABILITY)	2	3	3	Treasury Management Strategy approved annually by Members. Reporting of Treasury Management performance to Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely and apply criteria recommended by Arlingclose. Council's investments managed internally in consultation with Arlingclose. Roles and responsibilities assigned within Accountancy. Deputy Chief Executive and Portfolio Holder are involved in key decisions. Regular monitoring ,reporting of investment portfolio and returns achieved. CIPFA Code of Practice and Prudential Code being applied with new recommended indicators for measuring investment performance.	NONE	DCX (TC) * Cllr Williams	Ongoing monitoring	18. Completed/Ongoing review. The team continues to explore options for diversifying the portfolio. Approved Capital Strategy (see risk category 15).

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		19. If there is a failure to collect/recover income due, this will result in financial losses to the authority. **(FINANCIAL SUSTAINABILITY)**	3	3	3	Corporate Debt Group monitor the more material items on the aged debt analysis and also coordinate action to tackle debt that is unlikely to be recovered. The Chief Finance Officer reviews a monthly status report of higher value aged debts over 6 months old for reasonableness. A progress review of audit recommendations is discussed at each Corporate Debt Group meeting (in particular actions relating to the monitoring and recovery of outstanding aged debt and the governance of the recovery process). Recovery policies (may require updating). Debt collection statistics produced and analysed. Budget Monitoring identifies any anticipated shortfall in income. Accountancy report to Management Team and Members on significant variances and comparisons with previous year. Housing Benefit regulations stipulate limitations around overpayment debt recovery. Current debt stands at approx £3m. Internal Audit review of Housing Benefit Overpayments completed March 2019 and recommendations agreed by management (see risk category 19).	*19i. The corporate debt recovery policy is being reviewed* *19ii. In order to improve efficiency, there is scope for Customer Services to take greater control over the persual of all sundry debts.* *19iii. The Corporate Debt Group monitor developments in recovering CIL with particular focus on larger sums due.* *19iv. Further to the recent audit review of Housing Benefit Overpayments, increased reporting (management information and breakdowns) will help to enhance visibility in terms of debt monitoring of this area. This will be pursued in collaboration with the Corporate Debt Group.(NEW)* *19v. Development of systems to assist in monitoring of Bed and Breakfast debt in terms of enhancing efficiency and avoiding duplication is ongoing (NEW)*	MAT/ DCX, TC/AGH CR/ Group Heads **Cllr Williams**	30 June 2019 * R Requires Monitoring	19i. **Progress underway -** Internal Audit have provided constructive advice and guidance regarding policy review of this area (February 2019) for consideration by the lead officer with subsequent reporting to the Corporate Debt Group. It is intended that the Policy will be fully refreshed and reviewed at the next Corporate Debt Group meeting 12.3.19. 19ii. **Progress underway -** Conisiderable amount of analysis has been undertaken to identify and address historic debts which are not cost effective to pursue or with low probability of recovery, and therefore require write off. Customer Services have been liaising with services to agree write offs. The progress of Customer Services lead in the persual of debts is reviewed at Corporate Debt Group. If the preferred direction is for Customer Services to take a greater lead role in the persual of all sundry debts (i.e. reducing the frequency by which cases are passed back to Services to make decisions), then this will need to be reflected in any revised corporate debt policy (see action 19i).19iii. **Implemented/ongoing.** Some good results have been achieved in enforcing collection of CIL and a Root and Branch review of CIL income is also underway.
		20. If there is an increased risk of fraud / theft due to, this will resulting in financial losses and reputational damage. Housing tenancy fraud reduces availability of social housing impacting on the Housing register. Business Rates Avoidance and Evasion results in loss of income. **(FINANCIAL SUSTAINABILITY & HOUSING)**	3	3	3	Various corporate Policies including Confidential Reporting Code (Whistle blowing), Anti-fraud, Bribery and Corruption Strategy, Proceeds of Crime and Anti-Money Laundering, Code of Conduct, Financial Regulations and Contract Standing Orders. Management checks, segregation of duties, reconciliation processes for financial systems and IT Security measures. Specialist Fraud groups with Surrey Partners enable sharing of skills, knowledge and approaches. Fraud alerts circulated. Enhanced verification checks for new housing claims. Non-benefit fraud returns are collated quarterly, focusing on housing, council tax support, and business rates (evasion and avoidance). These are reported to the Surrey Counter Fraud Board. Collaborative working with Reigate and Banstead's Counter Fraud team has continued to produce positive outcomes and impressive financial returns/payback. Wider benefits are also being realised from this counter fraud work and a further growth bid has been secured (February 2019) for these counter fraud measures to continue. Overview and Scrutiny Committee report of January 2018 highlighted measures being taken by Spelthorne to address business rates tax avoidance and evasion, along with further initiatives to explore.	*20i. To arrange refresher Counter Fraud, anti-bribery and corruption training for all staff and Members.* *20ii. To undertake a risk assessment for money laundering to ensure compliance with regulations.*	Group Heads/ MAT/IAM/ Head of CG **Cllr Williams & Cllr Francis**	30 June 2019 * R Requires Monitoring	At 31.12.18 the cumulative return for Spelthorne (since the start of the Surrey Fraud Partnership in January 2015) equates to £2.46 m in terms of savings to the public purse, with estimated cashable savings for Spelthorne of £481k. 20i. **Progress underway.** The Internal Audit Manager has outlined suggested requirements for inclusion in proposed Counter Fraud, anti-bribery and corruption training for staff and Members. Further discussions are being held to take this further forward. Trainers are being explored to offer refresher awareness training . 20ii.**At March 2019 - No further updates have been received for this area.**

*KEY TO RAG RATING

Actions Overdue & Outstanding	Partially Actioned	Completed/Ongoing Monitoring

Note that previous RAG ratings are included to illustrate the Direction of Travel for recommended actions

*KEY TO TARGET DATES   * N = New Action   *R = Revised target date for assigned action   *O = Original target date for assigned action

*KEY TO OFFICERS

MAT - Management Team
CX, - Daniel Mouawad
Head of CG – Head of Corporate Governance, Michael Graham
Deputy Head of ICT – Alistair Corkish
DCX (TC) – Terry Collier

GH R & G - Group Head - Regeneration and Growth, Heather Morgan
IGO - Information Governance Officer, Clare Williams
HRM – Human Resources Manager, Debbie O'Sullivan

PREVIOUS RAG	CURRENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED

HSIRM - Health and Safety, Insurance and Risk Manager – Stuart Mann
GH C & T - Group Head - Commissioning and Transformation, Sandy Muirhead
GH - NS - Group Head - Neighbourhood Services- Jackie Taylor
DCX (LO) – Lee O'Neil
SEHM - Senior Environmental Health Manager, Tracey Wilmott-French
PS - Principal Solicitor, Victoria Statham
 AGH CR - Acting Group Head for Customer Relations, Roy Tilbury

CM- Contract Managers
Joint Group Heads of CW – Joint Group Heads for Community Wellbeing, Deborah Ashman and Karen Sinclair
LSM - Leisure Services Manager, Lisa Stonehouse
RRO – Risk and Resilience Officer, Nick Moon
EDM – Economic Development Manager, Keith McGroary
IAM - Internal Audit Manager, Punita Talwar

PORTFOLIO HOLDERS - recorded under risk ownership column

Audit Committee	
28 March 2019	

Title	Internal Audit Annual Plan 2019/20		
Purpose of the report	To note		
Report Author	Internal Audit Manager, Punita Talwar		
Cabinet Member	Councillor Howard Williams	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	Not Applicable		
Reason for Recommendation	Not Applicable		

1.   **Key issues**

1.1   This report sets out the work planned by Internal Audit during 2019/20 in order to fulfil its statutory and professional requirements.

1.2   Accounts and Audit Regulations 2015 require local authorities 'to 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'.

1.3   Internal Audit is defined 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.*" (Public Sector Internal Audit Standards).

1.4   The importance of preserving some independence in the audit planning process needs to be recognised and it seems prudent that Managers are periodically reminded of this requirement. Any actions that may undermine the independence of internal audit will ultimately reduce the value of independent assurance to the authority.

1.5   Internal Audit findings form the basis of the annual audit opinion on the adequacy of the authority's control environment which feeds into and underpins the Annual Governance Statement (considered by External Audit). In order for the Internal Audit Manager to provide an independent evidence based annual audit opinion, **there needs to be a sufficient quantity and**

breadth of audits undertaken to ensure reasonable coverage of auditable areas on which to form an effective opinion. This is therefore an important factor for consideration in the Audit Planning process.

1.6   The audit plan reported to Management Team on 11th March 2019 reflected the Audit Needs Assessment as ascertained from the audit planning process. This highlighted that the time required to deliver the audit plan (based on assessed audit need) including all other corporate tasks with which the Internal Audit Manager is tasked to undertake (highlighted at Appendix 1) exceeds the current Internal Audit resource available of 1.75 FTE's supplemented with some contracted resource. The estimated shortfall of 135 days was reported to Management Team for consideration. Given that the scope for approving additional audit resources during 2019/20 may be limited particularly as the current internal audit planning process timetable (January to March) does not align with the budget growth bid cycle (October to November), Management Team have requested a revised list of proposed audits giving consideration to delivery of planned audits within existing capacity/resourcing levels. The audits have been listed in priority order which may be subject to periodical review to allow for flexibility in addressing changing priorities. This exercise has been completed and a copy of the revised Internal Audit Annual Plan Summary (2019/20) based on the 'prioritised audit need' is attached at Appendix 1. This also refers to corporate roles and responsibilities (non-audit work) which the Internal Audit Manager has involvement in.

1.7   Group Heads and Managers have been consulted as to the most beneficial time to undertake these audits during the 2019/20 financial year in order for the service and authority to gain maximum value from the audit process. Where responses have been received this has been recorded at Appendix 1.

1.8   All of the audits previously assigned as 'Priority B' have been removed from the new revised prioritised list, as have some of the previous Priority 'A's. It seems sensible that these auditable areas are given further consideration during the 2020/21 audit planning process and beyond, given that they have arisen out of the audit needs assessment /planning process. The revised list of audits set out at Appendix A to this revised report can be delivered within the current resources available. In due course further consideration will be given as to the feasibility of revising the timing of the audit planning process from quarter 4 (currently) to the end of quarter 2, thereby enabling greater alignment with the budget growth bid process should any requests for additional resource be required. The delivery of the audit plan would however still need to relate to the financial year to ensure continued alignment with financial transactions and the external audit timetable.

1.9   Further detail regarding the audit planning process is set out below:

(a)   All auditable areas are identified (known as the 'Audit Universe'). These include:

- o   Significant risks included in the Corporate Risk Register
- o   Corporate systems and processes
- o   Financial and fraud risks
- o   Fundamental financial systems
- o   Functions operating within service areas

- o Information governance and security
- o Asset acquisitions and Investments
- o Key Council projects
- o Preparedness for significant legislative changes/government led initiatives

(b)   In establishing the internal audit resource requirement and priorities for 2019/20 consideration has been given to existing sources of assurance (within the assurance framework). These include existing management controls (first line of defence), corporate review and monitoring processes (second line of defence) and independent sources of assurance such as Internal and External Audit (third line of defence). By way of example, the Root and Branch reviews being undertaken by Commissioning and Transformation fall under the second line of defence within the Council's assurance framework and Internal Audit have taken into account reviews underway so as to avoid any potential duplication. Independent assurance provided by Internal Audit to Management Team and the Audit Committee will continue to focus on the adequacy of the control environment in managing risk at all levels, supported by appropriate verification processes.

(c)   In view of the resource availability within the audit team continued reliance will need to be placed on alternative sources of assurance (other than Internal Audit) where possible. As part of the internal audit process during 2018/19 Internal Audit have continued to encourage Group Heads and Managers (representing the first line of defence) to provide assurance that controls in their functions are operating effectively, which contributes to a more efficient way of working as well as promoting Management ownership and accountability for their risks and controls. Group Heads are requested to sign off final versions of audit reports to confirm that the report is factually correct and that the controls are operating as described (reports highlight any risk implications identified from the audit review).

(d)   Audit work is prioritised and time allocated to each area which is related to factors such as risk evaluations, budgetary implications, value/volume of transactions, known system weaknesses and vulnerabilities, previous irregularities, changes in personnel, management requests for Internal Audit input and audit resource available. A revised list of proposed audits recorded in priority order is set out at Appendix 1.

(e)   Audit Needs Assessment - Group Heads and Managers have been consulted during the audit planning process to discuss emerging risks and consider review areas for inclusion in the plan. A few further areas have been proposed arising from risk evaluation, or where reasonable time may have elapsed since the last audit thereby justifying the need for a further review. Independence needs to be preserved in the audit planning process which is highlighted at paragraph 1.4 above. The Internal Audit Manager has also considered some new audit areas based on recent research conducted by the Chartered Institute of Internal Auditors into key risks facing organisations across all sectors.

These include a review of Workplace Culture (there is now an expectation for Internal Auditors to undertake this type of audit as culture has become and will continue to be a major consideration for all organisations) and Communication risk in terms of protecting organisational reputation. A proposed review of Communication Risk is incorporated on the 2019/20 plan, with a view to undertaking an audit of Workplace Culture in 2020/21.

(f) The Annual Plan is intended to be flexible allowing for periodical review to take into account changing priorities according to perceived risks.

1.10 Risks and findings identified by Internal Audit during 2019/20 will be raised with senior management, and recommendations reported to the Audit Committee. Internal Audit findings form the basis of the annual audit opinion on the adequacy of the authority's control environment which feeds into and underpins the Annual Governance Statement. Significant risks are also brought to the attention of the Council's Corporate Risk Management Group and considered for inclusion in the Corporate Risk Register.

2. Options analysis and proposal

2.1 To consider additional resource to deliver the proposed 2019/20 Audit Plan based on the original audit needs assessment reported to Management Team on 11 March 2019.

Or

2.2. Reduce the number of audits to be carried out (considering the priority levels) which would result in a reduced level of audit coverage. The consequences and implications of this are that a lower level of independent assurance can be provided to Management Team and the Audit Committee on the adequacy of the authority's control environment. Internal Audit findings form the basis of the annual audit opinion on the adequacy of the authority's control environment which feeds into and underpins the Annual Governance Statement (considered by External Audit). In order for the Internal Audit Manager to provide an independent evidence based audit opinion, there needs to be a sufficient quantity and breadth of audits undertaken to ensure reasonable coverage of auditable areas on which to form an effective opinion. This is therefore an important factor for consideration.

3. Financial implications

3.1 There may be a requirement from time to time to bring in subject matter experts and Investigators to undertake or assist Special investigations (relating to suspected internal fraud or irregularity) as there is insufficient capacity within the Internal Audit team to undertake the whole process, particularly given that investigations are often by their nature very resource intensive. It is difficult to quantify an overall estimated cost for 2019/20. Day rates could be in the region of £400 per day. There is currently no specific budget assigned for this purpose.

4. Other considerations

4.1   There are no further considerations to be taken into account.

5.   Timetable for implementation

5.1   The Internal Audit Annual Plan sets out work to be undertaken by the Internal Audit team during the 2019/20 financial year.

Background papers: There are none.

Appendices: Appendix 1 – Internal Audit Annual Plan– 2019/20.

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Appendix 1 - Internal Audit Annual Plan 2019/20

Planned Audits - Assurance	Potential Risks to assess during audit (this is not necessarily a complete list as further or alternative risks may be identified at the time of the audit)
1.Core fundamental financial systems (link to several service areas) 6 separate audits as follows: i.Creditors ii.Treasury Management iii.Payroll iv.Business Rates v.Council Tax vi. Housing Benefits (excludes Housing Benefit Overpayments as this has been reviewed in 2018/19) Quarter 3 or 4	Financial losses and reputational damage due to fraud, theft, or error. Tax avoidance and evasion. Discrepancies between feeder systems and the main accounting system are not identified/resolved promptly. System integrity issues may result in unsatisfactory customer experience and loss of confidence.
2. Brexit Quarter 2	Brexit represents many potential uncertainties and key risks relate to regulatory change, recruitment, and supply chain management. These could all impact on existing policies, procedures, and processes.
3.Regeneration and Growth Property Development Quarter 2 or 3	Inadequate monitoring arrangements in place for ongoing property development work, resulting in reduced quality outcomes and/or delays in the housing delivery programme increasing pressures in this area; poor value for money.
4.Customer Relations – Inspectors Function Quarter 1 proposed by Internal Audit	Fraud, bribery, corruption, collusion leading to financial losses and reputational damage; inaccurate data input to financial systems reduces ability to maximise income.
5. Commissioning and Transformation – ICT Consider high risk areas being identified through Audit Needs Assessment (process currently underway) Quarter 3 or 4	To be confirmed once the ICT audit needs assessment process has been completed as this will highlight the range of risk areas for Spelthorne (from low to high). Audit reviews over the next three years can then focus on priority areas agreed with Management.
6. Commissioning and Transformation – Information governance and security	Non-compliance resulting in security/data breach, leading to reputational damage and significant financial penalties (Information

Review extent of General Data Protection Regulations being embedded within Services Deferred from 2018/19 at the request of management Quarter 2	Commissioner fines).
7. Building Control Deferred from 2018/19 at the request of management Quarter 2	Fee income may be understated due to errors such as miscoding's; competitive environment requires fee maximisation; system integrity issues may lead to unsatisfactory customer experiences and loss of confidence; fraud, bribery and corruption; noncompliance with building regulations; unsafe structures leading to possible injury/claims.
8.Accountancy A review of the budget process is planned to take place in summer 2019 by the Chief Accountant – audit to offer advice as appropriate regarding risk and control implications Quarter 2 (September)	Lack of coordinated approach for budget management and monitoring; duplication in reporting process; insufficient evidence around how budgets have been derived or controlled.
9. Regeneration and Growth Property/Asset acquisitions and investments Quarter 4	If weak governance arrangements exist , this may contribute to poor investment outcomes and increase exposure to financial risk including loss of anticipated rental income and poor investment returns. Inadequate arrangements to identify/raise /recover/monitor rental income due resulting in delays or non-collection; shortfall in achieving overall income target; late repayment of loans resulting in financial penalties; negative publicity resulting in reputational damage.
10. Communications Quarter 4	Negative publicity and reputational damage; confidentiality breaches; absence of management response plan to address crisis scenario. Account will be taken with respect to timing that the Council is currently in the process of recruiting a new Communications Manager.
11. Corporate Governance Procurement Procurement – follow up any issues arising from audit underway and consider embedding of revised processes in view of	Insufficient management information produced or monitored to enable the authority to identify efficiency savings. If governance arrangements are weak with a lack of transparency and monitoring, this

transfer of function Quarter 4 proposed by Internal Audit given that the Service are implementing change (TBC by Group Head)	could result in any of the following: financial penalties for non-compliance with legislative requirements; contractual disputes and claims through poorly defined specifications; contractors/partners/suppliers failing to deliver expected outcomes with associated financial losses; reputational damage, challenge and poor value for money; poor alignment between projects and procurement. Fraud, Bribery and Corruption risks are relevant at every stage of the procurement process. (Recent research by government representative into public sector procurement fraud)
Attendance at Working Groups such as the Corporate Risk Management Group, ICT Service Improvement Group (SIG) and Corporate Debt Group	
Unplanned work and advice including support on fraud/irregularities – an element of time has to be factored into the plan	
Corporate Counter Fraud • Collate quarterly fraud returns for Housing, Business Rates and Council Tax. Continue to monitor financial outcomes and wider benefits being achieved from Counter fraud work. • Consider with relevant services continued collaborative working for counter fraud support and monitor delivery of expected outcomes. • Attendance at Surrey Counter Fraud Board and relevant sub-groups, with dissemination of best practice • Anti- Fraud, Bribery and Corruption awareness training for all staff	Financial losses and reputational damage. Social housing fraud deprives people in genuine need of a home, placing increased pressure on the Housing Service.
Statutory /Corporate/Strategy/Other • Internal Audit reporting to Management Team and Audit Committee (9 reports per calendar year) • Corporate Risk Management (review and update the Corporate Risk Register with reporting to	The Council's significant risks are not necessarily identified or highlighted; lack of monitoring of risk mitigating actions.

Members) • Input into Annual Governance Statement • Liaison and engagement with new External Auditors throughout the year • External Quality Review - Action Plan implementation • Internal Audit Planning process for 2020/2021 • Management tasks (Service Planning and Annual Performance Review; Business Continuity Planning;Health & Safety/ GDPR etc)	

The above sets out the proposed priority audits to be undertaken during 2019/20 based on the 'audit need' ascertained from the audit planning process. The audits have been listed in priority order which may be subject to periodical review to allow for flexibility.