



Please reply to:

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Date: 18 January 2017

Notice of meeting

Extraordinary Audit Committee

Date: Thursday, 26 January 2017

Time: 7.30 pm

Place: Goddard Room, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

To the members of the Audit Committee

Councillors:

M.J. Madams (Chairman)
D. Patel (Vice-Chairman)
S.J. Burkmar

T.J.M. Evans
D. Saliagopoulos
H.A. Thomson

H.R.D. Williams

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose

To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process

Core Functions

- (a) To approve (but not direct) the internal audit's strategy, plan and performance.
- (b) To review summary internal audit reports and the main issues arising, and to seek assurance that action has been taken where necessary.
- (c) To consider the reports of external audit and inspection agencies.
- (d) To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- (e) To be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and to take actions required to improve it.
- (f) To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- (g) To review the financial statements, external auditors opinion and reports to members, and monitor management action in response to the issues raised by external audit.

AGENDA

Page nos.

- 1. Apologies**
To receive any apologies for absence.
- 2. Disclosures of Interest**
To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members.
- 3. Appointment of External Auditors** **5 - 12**
To receive a report from the Chief Finance Officer.
- 4. Corporate Risk Register - Revised Layout** **13 - 24**
To consider proposed revisions to the layout of the Corporate Risk Register.

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Extraordinary Audit Committee

26 January 2017



Title	Appointment of External Auditors		
Purpose of the report	To make a decision		
Report Author	Terry Collier Chief Finance Officer		
Cabinet Member	Councillor Howard Williams	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	<p>To recommend to the Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.</p>		
Reason for Recommendation	<p>It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.</p> <p>Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by the Council (authority meeting as a whole). To comply with this regulation Cabinet is asked to make the recommendation above to Council</p>		

1. Key issues

- 1.1 As part of closing the Audit Commission the Government novated external audit contracts to Public Sector Audit Appointments (PSAA) on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.
- 1.2 In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime.
- 1.3 There was a degree of uncertainty around the appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government.

PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).

- 1.4 Invitations to opt in were issued in October 2016 (see Appendix 1) with a response may be required before 9th March. Under the regulations a decision to opt in has to be approved by a meeting of Council.
- 1.5 The main advantages of using PSAA are set out in its prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.

- * Assure timely auditor appointments
- * Manage independence of auditors
- * Secure highly competitive prices
- * Save on procurement costs
- * Save time and effort needed on auditor panels
- * Focus on audit quality
- * Operate on a not for profit basis and distribute any surplus funds to scheme members.

- 1.6 The length of the compulsory appointing period is the 5 consecutive financial years commencing 1 April 2018.
- 1.7 If PSAA is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.

2. Options analysis and proposal

- 2.1 To opt in to the Sector Led Body (PSAA) option- preferred option for the reasons set out above.
- 2.2 To set up our own independent Audit Panel to oversee the process of procuring external auditors

3. Financial implications

- 3.1 Explain the key financial headlines linked to appropriate data in appendices (if required).

4. Other considerations

The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

5. Timetable for implementation

- 5.1 Recommendation to go to February 23rd 2017 Council.

Background papers:

Appendices: Letter from PSAA

27 October 2016

Email: appointingperson@psaa.co.uk

Roberto Tambini
Spelthorne Borough Council
Council Offices
Knowle Green
Staines Middlesex TW18 1XB

Copied to: Terry Collier, Assistant Chief Executive, Spelthorne Borough Council
Michael Graham, Monitoring Officer, Spelthorne Borough Council

Dear Mr Tambini

Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at appointingperson@psaa.co.uk.

Yours sincerely



Jon Hayes, Chief Officer

Appointing an external auditor

Information on the national scheme

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

High quality audits

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

Procurement strategy

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

Auditor appointments and independence

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Fee scales

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

Timetable

In summary, we expect the timetable for the new arrangements to be:

- Invitation to opt in issued 27 October 2016
- Closing date for receipt of notices to opt in 9 March 2017
- Contract notice published 20 February 2017
- Award audit contracts By end of June 2017
- Consult on and make auditor appointments By end of December 2017
- Consult on and publish scale fees By end of March 2018

Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: appointingperson@psaa.co.uk.

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

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SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

APPENDIX 1

CORPORATE RISK REGISTER

This register summarises the Councils most significant risk. It sets out controls in place and identifies any further action needed to mitigate risks. Actions are assigned to appropriate officers with target dates for implementation.

Content reviewed September 2016
 Layout of register updated January 2017

Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)

PREVIOUS RAG (JUN)	CURRENT RAG (SEP)	RISK / CONSEQUENCES	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		1. Health and Safety failing resulting in death or serious injury to staff /public and legal action against the Council	2	4	4	Policies and SHE (Safety Health and Environment) system .The Health and Safety, Insurance and Risk Administrator manages the SHE Database, overseen by the Health and Safety, Insurance and Risk Manager. Managers have a legal requirement to conduct regular risk assessments. Induction training.	1. <i>Annual checklist and instructions for Managers being prepared.</i>	MAT/ All Group Heads HSIRM*	31 October 2016 *R Completed/Ongoing Monitoring	Annual reminders have recently been introduced to encourage all employees to complete/update health and safety risk assessments (DSE, Homeworking, and Service). The SHE system is being used to ensure that automatic reminders are set for completion and renewal of risk assessments. The Health and Safety Policy for Spelthorne Borough Council has been updated and circulated to Group Heads and Managers.
		2. Uncertainty surrounding the financial /economic/other consequences of contaminated land. Legal action against the Council.	2	4	4	Legal duty to inspect land and prioritise action. Documented records of all site investigations and assessments held. A separate risk assessment is held which is reviewed regularly. Reports periodically issued to Management Team and Cabinet.	2. <i>The Contaminated Land Strategy to be finalised and approved by Cabinet.</i>	DCX (LO)/SEHM*	30 November 2016 *R Requires Monitoring	Contaminated land risk assessment next due for review in November 2016. Spelthorne participated in the recent Inquest. Assisted the Coroner by providing a comprehensive study on the historic land use of the area in question and by commissioning independent experts in the field of contaminated land.
		3. Disaster- major in borough, e.g. flooding, resulting in significant strain on council services (eg homelessness).	2	4	4	Corporate Emergency Plan updated January 2016. Multi- agency flood plan completed December 2015. Function being delivered via the Mutual Applied Resilience Service. Membership of Local Resilience Forum (LRF). Regular testing of Emergency Assistance Centre plan. Borough Emergency Centre Plans.Suggested improvements to the Business Emergency Centre (BEC) partially implemented due to plans to vacate Knowle Green. Incident management training and exercising.The two DCX's have attended Multi-Agency Gold Command Courses. Emergency Response requirements remain the responsibility of the authority.Contract agreement in place with Applied Resilience, with increased resilience and support for Emergency Planning.	3. <i>Monitoring the agreement with Applied Resilience should incorporate specific targets and expected outcomes in order to measure actual performance. Monitoring needs to be meaningful and clearly evidenced.</i>	CX (RT)/ GH C & T*	30 September 2016 (R*). Requires Monitoring	Whilst the Group Head for Commissioning and Transformation meets regularly with Applied Resilience, there is scope to improve the ways in which the agreement is monitored for Emergency Planning. Monthly meeting with notes undertaken and work produced now given to Group Head.
		4. Failure to manage corporate and service performance / failure to meet Council objectives and targets (Performance Management)	2	3	3	The Corporate Plan sets out targets for the authority which should be monitored by Members and Management Team. Service performance should be monitored by Management Team. Individual performance is monitored through the appraisal process. Flagship project performance is reported to Management Team and Members. Performance Management Working Group has been established to improve monitoring arrangements. Updates have been provided to Cabinet and the Audit Committee.	<i>Corporate Plan and priorities have been revised. The impact on ongoing projects, resources and Service Planning will need to be assessed.</i>	MAT / DCX LO	Ongoing Monitoring	Revised Corporate Plan approved and publicised.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

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		5. Failure to align service objectives to corporate aims and priorities / Failure to deliver services effectively due to poor service planning	2	3	3	The Corporate Planning process should set out a clear vision for the authority and specific targets. Some services have statutory responsibilities. Individual Service Plans should be derived from the Council's Corporate Plan and statutory/other responsibilities. Plans incorporate resources, risks, workforce, significant projects and performance indicators.	<i>Service Plans are currently being prepared for 2016/17, taking into account the new Corporate Plan and priorities. They will be made available on Spelnet, enabling other services to assess the likely impact.</i>	Group Heads/ MAT	31 October 2016 *R Requires Monitoring	Service Plans for 2016/17 being prepared.
		6. Failure of projects due to poor project management arrangements. Lack of resource and expertise to deliver and coordinate	2	3	3	1. Project management arrangements are in place including process for project initiation, consideration of resources available to deliver, identification of project risks and progress reporting processes. Corporate Project Register. Collation of corporate project register by Service	1i. <i>Many larger projects are asset related . Procurement and Contract Management function being established providing central resource and expertise .</i> 1ii <i>Management team to consider limited capacity and revenue implications prior to approving additional / new projects.</i> 1iii. <i>The Projects Assurance Officer to promote the importance of following correct procurement processes in delivering projects.</i>	MAT /GH C & T* MAT	Ongoing Monitoring Ongoing monitoring	Revised structure promotes greater links between Planning, Asset Management and Economic Development under the lead of the Group Head for Regeneration and Growth. Approx. 35 projects are currently being tracked through the Project Office and the TaSF programme. Resourcing of projects is an ongoing challenge. The Project Assurance Officer will be focussing on procurement in the projects process during the coming months.
						2. Staines upon Thames - The Group Head for Regeneration and Growth oversees Staines upon Thames regeneration with support from consultants. 5 work streams have been fully defined and documented.	2. <i>A number of procedural stages are being progressed associated with the sale of the Bridge Street site.</i>	GH R & G *	31st October 2016 *R Requires monitoring	Planning application for Bridge Street considered at 9th March Planning Committee and approved. Bellway have confirmed they have a satisfactory planning permission for the purposes of the sale agreement. Other conditional elements in the agreement being concluded. The money from the sale of the Bridge Street site should be forthcoming end October 2016.
						3. Towards a Sustainable Future - The Head of Customer Services mapped out a programme for this challenging initiative. This identifies roles, responsibilities, key deadlines, financial implications and risks. There are three work streams/mini programmes falling under the overall TaSF programme. Mapping of the individual projects under the three work streams. MAT have assigned resources to the main areas of the TaSF programme, and projects are underway. The TaSF Programme Support Officer coordinates all three main work streams under the TaSF programme, reporting to the Group Head for Commissioning and Transformation who currently oversees the direction of the programme. The Programme Brief has been approved by Cabinet and Overview and Scrutiny Committee. Review completed of document retention and electronic data management systems (see section 7).	3. <i>High level overview of the three work streams has been identified to ensure cohesion and coordination.</i>	MAT	31 August 2016 * R Requires monitoring	A continued decrease in the the number of TaSF projects with a green RAG rating has been reported through dashboards mainly due to external factors causing delays. Close monitoring of TaSF projects and timeframes is ongoing to manage risks and overall impact of the delays on the programme as a whole. TaSF structural review now completed with the Group Head appointments from April 2016 and Deputies from July 2016.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

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		7. Security / data breaches, resulting in system failure, Information Commissioner fines and reputational damage.	2	3	3	Back up and continuity arrangements managed by ICT and tested by Service Heads. ICT security policies. Personal Commitment statement required from staff. ICT security group assess ongoing risks. ICT Disaster Recovery test conducted in March 2015 and due again by the end of 2016. Information Governance Group. Head of Corporate Governance is the Senior Information Risk Owner (SIRO). Removal of the Microsoft Outlook 'Auto-Complete' feature recommended.	7i. <i>Information Governance Group to pursue action plan to ensure information assets are identified and managed.</i> 7ii. <i>Recruitment for an Information Governance Officer is underway to provide ongoing guidance and ensure compliance with statutory obligations.</i>	Head of CG */GH C & T *	31 October 2016 R* Requires Monitoring	The Information Governance Group now meet quarterly to discuss the necessary steps to be taken to address outstanding actions and are making some progress as follows: MAT and Cabinet built into 16-17 budget growth for an Information Governance Officer resource, and it is anticipated that this vacancy will be filled shortly. To set up functionality within Egress which can prevent emails being sent to incorrect recipients or 3rd parties. Clear desk policy to be discussed with all Group Heads. 12.9.16 - Awaiting update from the Head of CG.
		7. See above.					<i>The Council's project team is currently considering the document retention policy and alternative electronic document management systems which will help to strengthen information security.</i>	GH C & T/ MAT	31 August 2016 R* Requires Monitoring	The authority has decided on its approach to document management and implemented the first phase. The Idox document management system has been implemented for Environmental Health, Planning and Building Control with training delivered. Analysis work underway to identify requirements to expand Civica Contact Manager additional modules to accommodate other service areas (HR, Housing, Leisure). For internal Documents the plan is to upgrade and rebrand Sharepoint. Target date for completion of remaining EDMS systems is July 2017. 12.9.16 - Awaiting update from GH C & T / Deputy GH CW
		8. Failure to meet the minimum security requirements of the Government Code of Connection resulting in termination of connection to any other government sites/data; uncertainty over direction of ICT within the authority.	2	3	3	A review group assesses compliance with the Government Code of Connection (COCO). Firewall installed, laptops encrypted, memory sticks banned until they are 'white-listed' as known devices on the network, 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 completed. CoCo re-accreditation achieved in January 2016. The Cabinet Office has increased security requirements due to the implementation of the Public Service Network (PSN). Successful certification of Public Service Network (PSN) compliance gained on 16 January 2016 which is valid until 15 January 2017. Mimecast e-mail filtering software installed June 2016 to help reduce infected and problematic e-mails entering the Council's network.	8. <i>Production, approval and implementation of an ICT Strategy consistent with the core objectives of the Council, ensuring effective and efficient use of resources and service delivery.</i>	Head of ICT *	31 October 2016 R* Requires monitoring	The Head of ICT has prepared a formal strategy, to be passed to MAT for consideration and approval.

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		9. Lack of business continuity planning to cover loss of building, equipment, ICT or staff - leading to loss or disruption to services	2	3	3	Business Continuity (BC) Policy .The BC Forum oversees progress of BC planning. Business Impact Assessments identify priority services, resources required for their continuation and time frame. Emergency protocols for loss of building access/loss of power/loss of ICT are being developed. Emergency messaging system for staff. Improvements made to telephony resilience. Contract agreement in place with Applied Resilience from September 2015 , with increased resilience and support for Business Continuity Planning (full time officer assigned). Updated staff contacts list.	<p>9i. <i>Monitoring the agreement with Applied Resilience should incorporate specific targets and expected outcomes in order to measure actual performance. Monitoring needs to be meaningful and clearly evidenced.</i></p> <p>9ii. <i>Corporate Business Continuity Operational Plan is being updated.</i></p> <p>9iii. <i>Updates to Service-Level plans are in progress .</i></p>	GH C & T*	30 September 2016 (R*). Requires Monitoring	Business Continuity Policy updated. Business impact analysis now completed for all areas. Service-Level Plans (SLP) are in progress as is the Corporate Business Continuity Operational Plan (including plans to relocate to the Depot). A corporate table top exercise is scheduled for 13th September. Monitoring being evidenced with plans produced. Plan to be fully updated after exercise so can pick up on issues.
		10. Failure in service delivery due to over reliance on individuals	3	3	3	Group Heads/MAT are responsible for ensuring business continuity, including loss of key staff. Critical procedures should be documented and staff appropriately trained. Group Heads should review as part of the service planning process. Resilience may be provided from other local authorities or other organisations. Wellbeing and Resilience Training provided in 2015.	<p>10i. <i>MAT have reviewed structures as part of the budget saving exercise, and consideration is being given to resilience and succession planning arrangements.</i></p> <p>10ii. <i>Human Resources to arrange staff development and training plans for the Group Heads and Deputy Group Heads.</i></p> <p>10iii. <i>Human Resources to commission bespoke training as well as utilise existing management development courses on offer.</i></p>	Group Heads/MAT/HRM	31 October 2016 (R*). Requires Monitoring	Human Resources are aware of concerns relating to succession planning. Human Resources are reviewing development needs for recently appointed Group Heads and Deputies. As two of the Deputy Group Head appointments have not yet been made there may be additional, or different requirements in those areas.
		11. Failure in service delivery due to reduced capacity and increasing demands from the community; prolonged staff vacancies due to inability to recruit; posts advertised as temporary may be adversely impacting on the Council's ability to recruit. Increased risk of delay, errors or stress.	3	4	4	Short term reductions in capacity are accommodated by prioritisation and reallocating work amongst staff. Longer term impacts and changes to demand may be more difficult to address. Service review may be required to help match resources to the level of work. Resources need to be diverted to implementing new systems or introduce new ways of working. If resources cannot be enhanced, services will have to prioritise work to resources available. Staff have access to counselling via Occupational Health. Posts advertised with Surrey Jobs which also feeds into a wider network of job sites. Specialist websites and publications are also used as necessary to advertise posts. Human Resources have highlighted posts where recruitment has been challenging. Recruitment and Retention Policies requested from other authorities. Annual report by Human Resources issued to Management Team summarising staff recruitment and turnover.	<p>11i. <i>Members and Management Team will need to keep resourcing levels under review, particularly the impact of new projects and any statutory obligations on service/project delivery.</i></p> <p>11ii. <i>Human Resources to monitor the effectiveness of proposed changes to recruitment and selection methods, in collaboration with Services.</i></p> <p>11iii. <i>The former Head of Human Resources has been commissioned to carry out specific research on recruitment and retention practices elsewhere and produce a report for Spelthorne to consider, with a view to sharing best practice.</i></p>	Group Heads/MAT/HRM	31 October 2016 * R Requires monitoring	Ongoing recruitment problems in a number of areas despite incentives offered (recruitment and retention payments), for example, Housing, Environmental Health, Building Control and Planning . This ultimately impairs Service delivery as well as having a consequential negative effect on other Services . MAT have commissioned a report on areas under specific pressure and recommendations as to options, due for presentation to MAT on 20th September. Once details of the national apprenticeship scheme are finalised Human Resources will feedback to Group Heads and MAT on the exact requirements. Elements of the commissioned work will also feed into traineeships and 'growing our own talent'. Currently, managers are expected to consider if a post can be converted into an apprenticeship. At least one Group Head is looking at apprenticeships within their service area for succession planning.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

PREVIOUS RAG (JUN)	CURRENT RAG (SEP)	RISK / CONSEQUENCES	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		12. Low morale as a result of increasing service demand, lack of staff & finance, organisational restructure. Increased turnover, high staff stress levels, risk of losing expertise and impact on services.	2	3	3	Employment arrangements in place include recruitment and selection, pay and rewards, training and development. Change Management process, communications, performance management systems, appraisals, one to one's, team meetings, performance clinics, staff meetings. Stress audit conducted in Housing. The Human Resources Manager advises MAT as appropriate. Planned TaSF Senior management restructure taken place in 2016.	12i. Management Team to keep under review, particularly in light of 'Towards a Sustainable Future'.	MAT	Completed/Ongoing monitoring	MAT maintaining under review . There is an ongoing risk of low morale and increased turnover during current times of organisational change which MAT acknowledge. The recruitment process to the new Group Head and Deputy Group Head positions has been completed.
		13. Failure to comply with the Council's corporate governance requirements and standards resulting in poor value for money, Costly legal challenges and reputational damage.	3	3	3	Corporate Plan setting out clear purpose, vision and outcomes. Constitution setting out clearly defined roles/rules for Members/Officers. Code of Corporate Governance and Codes of Conduct to promote high standards of conduct and behaviour. Informed and transparent decision making processes open to scrutiny. Member and staff training programmes.Accountability through published accounts and community engagement . Induction programme delivered for new councillors during 2015 including briefing on roles and responsibilities, financial position, delivering services and current key issues.	The Council's Code of Corporate Governance is due for review.	MAT or Head of CG	31 October 2016 R* Outstanding Action	The review of the code of Corporate Governance is currently outstanding.
		14i. Procurement - Weak governance arrangements and lack of transparency in procurement decisions. Contractual disputes and claims through poor specifications. Weak contract management resulting in Contractors/partners failing to deliver expected outcomes. Reputational damage and costly challenge by other companies. Financial loss/poor vfm as a result of poor contract management. Reliance on Legal for support on tendering processes/appointment of Contractors.	2	3	3	Contract Standing Orders set out tendering requirements. Officer Code of Conduct sets out requirement for declaration of interests. Contract guidelines with compliance checklist. Legal team provide support on contract management and major procurements. Officers reported to Overview and Scrutiny Committee in January 2016 on the performance of significant contracts. Contract management training held in 2012 and 2013. Specification writing training taken place. Procurement training In October 2014. Development of the e-procurement system continues and further contracts continue to be sourced with this solution which offers significant time savings and efficiencies for staff in Legal. Procurement Board meet regularly.	1i. Procurement Board monitoring implications of the new UK Public Contract Regulations 2015 and implementation of the Local Government Transparency Code requirements. Guidance Notes to be issued in due course. 1ii. Procurement and Contract Management function to be established, under the lead of Group Head for Commissioning and Transformation. 1iii. MAT will monitor the appointment of consultants and contractors for the Council's projects including Town Centre, Knowle Green and other initiatives to ensure full compliance with governance requirements.	MAT DCX (TC)/ PS/Group Head C & T*	31 August 2016 *R Requires Monitoring	1i. The Principal Solicitor has produced guidance notes on the public sector and EU procurement regulations changes, (not circulated) and has advised most staff dealing with procurement of the new regulations.The Principal Solicitor is currently preparing workflow documents to help officers navigate contract standing orders and the procurement process and aims to finalise by March 2017. 1iii. MAT are monitoring. Knowle Green Estates set up.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

PREVIOUS RAG (JUN)	CURRENT RAG (SEP)	RISK / CONSEQUENCES	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		14ii. Major Contracts - Lack of forward planning in preparation for the expiry of existing Leisure Centre arrangements in 2021, resulting in delays in Service provision.	2	3	3	Leisure centre Contract ends 2021. A paper entitled "Leisure Centre Needs Analysis" was submitted to MAT in July 2014. This recommended the need for a feasibility study to refine options going forward. A lead time of seven years was quoted. Member involvement in considering alternative options.	2. <i>Regarding post 2021 Leisure Centre provision, urgent action to be taken to set up a dedicated project team and redefine project objectives, roles, responsibilities and timetables. Project progress to be monitored against plan to ensure timely progress.</i>	Joint Group Heads CW *	31 August 2016 *O Requires Monitoring	This project was previously led by the Joint Head of Asset Management who was working with Wilmott Dixon to look at options for refurbishment or relocation of the current Leisure centre including possible costs and funding options. High level concept plans have been produced and Wilmot Dixon are amending these to take into account the initial feedback we have provided. In view of the Senior Management restructure the Project Manager will now be the Deputy Group Head for Community Wellbeing. A high level discussion document was presented to Cabinet in October 2016 and a new project team will be formed to support the future direction of this project.
		15. Pressures on Housing Service as a result of economic climate and welfare reforms including changes in government policy to restrict housing benefit. Introduction of Universal Credit may lead to staff retention issues. Loss of Housing Benefit subsidy and uncertainty over recovery of outstanding debt. London Boroughs increased use of Spelthorne properties. Local Housing Allowance limited. A2D rents unaffordable. Insufficient affordable properties being built. Benefit Cap may effect up to 250 families.	3	3	3	Group Heads/ MAT/Members are aware of risks. Working groups established to deal with changes. The authority faces some challenges in managing the loss of £500k per annum in subsidy (recovery of Housing Benefit overpayments) and the roll out of Universal Credit is now projected for 2021. Therefore the loss of subsidy will be spread over a longer period of time as completion of Universal Credit roll out slips. Accountancy have factored into outline budget projections. There is currently £2.5m of outstanding Housing Benefit overpayment debt in the Council's accounts. This is being recovered, albeit repayments are often small due to Housing Benefit regulations. Cabinet has received updates on Welfare Reforms. This includes a suggested approach to the use of discretionary housing payments. Strategic Housing Group. Officers and A2D have been working with families affected by the benefit cap. Housing Company being set up. Close working with private landlords. New Landlord Guarantee scheme.	15.1 i. <i>The Corporate Debt Group to discuss legal support for recovery of Housing Benefit overpayments, bearing in mind the need for the authority to secure value for money.</i> 15.1.i. <i>The Housing Benefits Manager to provide information supporting overpayment statistics issued to the Corporate Debt Group.</i> 15.1.ii. <i>A model for the strategic way forward in delivering the Housing function has been drafted and is to be discussed/agreed.</i>	MAT / Joint Group Heads CW *	30 November 2016 * R Requires Monitoring	There is a continual increase (although has eased off slightly in the last few months) of households in bed and breakfast (with the added issue of overspend on the bed and breakfast budget) and the lack of resources to discharge duty. A number of options are now being pursued and MAT and the Leader are supportive of this approach. Cabinet support to be requested. Projects commenced to ensure strategies are followed. A model for the strategic way forward has been drafted. The debt recovery training for relevant staff has been completed. The Department for Work and Pensions (DWP) have advised further on the number of cases that may be affected by the new benefit cap rules and the prediction is 215 claims (up to 500 was originally anticipated). Universal Credit full roll out is now projected for 2021 although this may still change. 12.9.16 - Awaiting update from Joint Group Heads CW .
		16. Poor partnership governance arrangements	3	3	3	MAT set strategic direction for Partnerships. Partnership governance policy out of date (August 2009) . Insurance arrangements in place.	16i. <i>A responsible officer to review, update and re-issue the Partnership Governance policy.</i> 16ii. <i>A list of significant Partnerships entered into should be identified and recorded centrally.</i> 16iii. <i>Completion of questionnaires to make an assessment of Partnership governance arrangements.</i> 16iv. <i>Members of Overview and Scrutiny Committee to scrutinise Partnership activity if required.</i>	MAT	30 November 2016 *O *N NEW ACTIONS	Internal Audit review of August 2016 identified limited attention has been given to Partnership Governance since 2011 and therefore some actions are required to revitalise the necessary governance arrangements and associated controls. These are currently being discussed by MAT with a view to agreeing a way forward.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

PREVIOUS RAG (JUN)	CURRENT RAG (SEP)	RISK / CONSEQUENCES	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
Page 19		17. Uncertainty over economic growth and supplier failure, impacting on: <ul style="list-style-type: none"> • Delivery of contracts and services • Business Rate income. SBC now bears a significant share of any losses on collection. 	2	3	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners. Recovery and inspection of business properties is being strengthened to maximise collection/minimise losses for the Council. DCLG Fraud funding for dealing with Business Rate avoidance and evasion cases during 2015/16. Spelthorne are a member of the Surrey Business Rates pool for 2015-16 enabling enhanced monitoring and data sharing with the other four participating councils. Business Rates Subgroup formed with agreed terms of reference focusing on Group Training, specialist advice, cross boundary prosecutions and legal advice.	<i>17i. Impact of new Business Rate arrangements on Council finances is under ongoing review. 17ii. Business Rates project being pursued.</i>	DCX (TC)/Group Head - F & CR *	30 November 2016 * R Requires monitoring	A service level project has been initiated to focus on 3 areas of business rates: Increase tax base Reduce Business Rate avoidance Increase admin grant Group Head for Finance and Customer Relations is due to issue a MAT report in September requesting a Business Rates Avoidance Officer post in order to maximise the tax base and target potential areas of avoidance. To date £151,400 rateable value growth has been identified by Analyse Local software to assist in growing the tax base.
							Economic Development Strategy is reviewed every three years. Communication of the vision, proposed actions and measures of success is taking place. Regular reporting to the Cabinet Member with responsibility for Economic Development to advise on progress with action plans and delivery of the strategy. LGA funded adviser produced 3 reports on Key Account Management, Inward Investment and Visitor Numbers, with a number of recommendations having resourcing implications. This was considered as part of the budget process and a growth bid to the value of £100.9k has been approved.	<i>17iii. Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review. 17.iv. The 3 year economic assessment & strategy is currently being updated, due for Cabinet submission/approval by February 2017.</i>	DCX (TC) * CS & EDO*	31 October 2016* Requires monitoring
		18. Failure to comply with employment legislation or statutory duty leading to possible compensation (unlimited), damage to reputation, Legal costs and significant officer time.	2	3	3	Human Resources (HR) identify changes in employment legislation, provide guidance and training to ensure compliance. Equality and Diversity working group and training provided to all staff.		MAT/ Group Heads/ HR Manager *	Ongoing monitoring	Professional HR support will continue to be available.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

PREVIOUS RAG (JUN)	CURRENT RAG (SEP)	RISK / CONSEQUENCES	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		19. Failure to comply with statutory duty / adhere to Safeguarding Policy leading to death or injury to child or vulnerable adult, legal action and reputational damage. Failure by County to address Spelthorne referrals relating to vulnerable children/adults.	2	4	4	Council has statutory responsibility for safeguarding children and Adults.Safeguarding policies and procedures. Staff and Member training. All referrals to Surrey County Council should be reported to a nominated Spelthorne Officer. Regular meetings held with Surrey County Council and consultation with the Surrey Safeguarding Children's Board (SSCB). Annual Section 11 audit. The Children's Safeguarding and Adults at Risk Strategies were approved by Cabinet in October 2013. The Children's policy is currently being updated . Independent Living Managers have reviewed any changes required to Adults at Risk policies and processes.	19i. <i>The Leisure Services Manager to review changes required to the Children's safeguarding policy, particularly with regards to child sexual exploitation. 19ii. Further liaison with Surrey County Council is necessary in order to strengthen the feedback process relating to children's referrals . 19iii. To seek clarification over responsibility for dealing with safeguarding issues for cross border referrals (where families located out of Surrey).19iv. Staff training needs to be assessed and revised policies/processes publicised in due course.</i>	DCX (TC)/LSM/ILM/ Joint Group Heads - CW *	31 October 2016 * R Requires monitoring	19i. Actions are being addressed: A draft Surrey Wide District and Borough Policy for Safeguarding Children and Adults is nearing completion and Spelthorne will be adopting this policy. It makes reference to child sexual exploitation. 19ii. Implemented - Surrey County are continuing to trial a new way of working in their call centre, which should ensure that even if young people don't meet the threshold for referral, they will receive 'early help' intervention. 19iii. Implemented- Instructed to escalate any cross border referrals/ issues in the future to the senior safeguarding managers. 19iv. A standard policy for Safeguarding adults and children is still being developed for use by all Boroughs and Districts. A County wide Chief Officers Group is leading on this. Dcx, Terry Collier is the Spelthorne representative.Spelthorne will adopt this policy on completion. The Surreywide Safeguarding template now agreed and is being implemented with local adaptations by SBC. The Leisure Services Manager is liaising with Human Resources to ensure an accurate list is held of staff requiring training and DBS checks. A new online safeguarding training module is being launched for Districts and Boroughs.
		20. Service delivery and planning difficulties due to reduction in Revenue Support Grant and therefore reduction in spending	3	3	3	Long term strategic/financial planning. Corporate Plan / priorities reviewed. Member engagement 'Towards a Sustainable Future' programme identified potential savings and additional sources of income.	Towards a sustainable future programme to be delivered	MAT	30 November 2016 * R Requires monitoring	TaSF programme to be progressed, including Knowle Green relocation and Income Generation (use of Assets). Structural Review completed.
							Identify alternative service delivery models and prepare business cases. Assess the impact on in-house Services.	Group Heads	30 November 2016 *R Requires monitoring	Some business cases for alternative service delivery models have been submitted, whilst others (Environmental Health) are on hold for legitimate reasons.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

PREVIOUS RAG (JUN)	CURRENT RAG (SEP)	RISK / CONSEQUENCES	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		21. Reduction in service delivery and possible loss of internal control as a result of savings required to balance budget	3	3	3	Management is responsible for maintaining key services and internal controls regardless of resource levels. Any savings offered will be accompanied with summary of any associated risks.		Group Heads/ MAT	Ongoing monitoring	
		22. Poor return on long term investments /investments insecure in current climate	2	3	3	Treasury Management Strategy approved annually by Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely. Council's investments managed internally in consultation with Arlingclose. Quarterly meetings and conference calls held with Arlingclose. Deputy Chief Executive, Terry Collier and Portfolio Holder, Councillor Williams are involved in key decisions. Use a range of credit ratings and criteria recommended by Arlingclose. Regular monitoring ,reporting of investment portfolio and returns achieved.		DCX (TC) *	Ongoing monitoring	As per the outturn Treasury management report average rate of return achieved on core pooled investments of £9.5m was a healthy 4.89% and capital growth as at end of the financial year was £0.7m. The team continues to explore options for diversifying the portfolio.
Page 21		23. Failure to collect/recover income due, resulting in losses to the authority.	3	3	3	Corporate Debt Officer Group meet periodically. Corporate Recovery Policy. Recovery policies also exist for specific areas such as Council Tax, NNDR, Sundry Debts etc. Debt collection statistics produced and analysed. Budget Monitoring identifies any shortfall in income. Accountancy report to Management Team and Members on significant variances and comparisons with previous year. The Corporate Debt Group, chaired by the Deputy Chief Executive (Terry Collier) continue to meet monthly and a wider representation from Services is being encouraged. The Deputy Chief Executive in his capacity as Section 151 Officer is taking the lead in coordinating outstanding actions with the Corporate Debt Group such as strengthening recovery procedures for sundry debts to reflect Spelthorne's recovery policy wherever possible and practical, with less intervention from Services; perusal of older debts by the Recovery team and monitoring by Management. Arrears figures at the Corporate Debt Group are reviewed, together with discussions about cost effectiveness of pursuing different types of debts.	23i. Recovery arrangements for significant debts/other income streams and amounts outstanding continue to be periodically monitored through the Corporate Debt group. 23ii. Management Team (MAT) should co-ordinate action to tackle aged debt that is unlikely to be recovered. Going forward, targets should be set for keeping aged debt to a minimum. 23iii The DCX, Terry Collier, as S151 Officer, to receive and review a monthly status report on 'at risk' debts i.e. higher value aged debts over 6 months old in order to confirm that suitable recovery action has been taken, and where exhausted, ensuring write-off action is pursued.	MAT/ DCX, TC/GH F&CR/ Group Heads	31 Aug 2016 * R Requires Monitoring	Corporate Debt Group have encouraged strengthening of processes. Bed and Breakfast debts are now being monitored more robustly. Debt recovery training for relevant staff has been completed. The recent internal audit review of Sundry Debts highlighted that the level of aged debt is too high and Managers have not always taken necessary write-off action. Report has gone to Management Team who are reinforcing need for improvement actions. See also risk category 15 above regarding recovery of Housing Benefit Overpayments. Snapshot breakdown of debt across all categories to be provided to Members of the Audit Committee as requested at the last meeting of 7th July 2016. Monthly monitoring of aged debts undertaken.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

PREVIOUS RAG (JUN)	CURRENT RAG (SEP)	RISK / CONSEQUENCES	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		24. Increased risk of fraud / theft due to economic climate resulting in financial losses and damage to reputation of authority. Housing tenancy fraud reduces availability of social housing.	3	3	3	Corporate Policies including Confidential Reporting Code (Whistle blowing), Anti-fraud, Bribery and Corruption Strategy, Proceeds of Crime and Anti-Money Laundering, Code of Conduct including rules relating to gifts and hospitality, and declaration of interest. Staff are reminded about governance policies during appraisal process. Refresher fraud and anti-bribery awareness training for staff and Members is due. Various policies and procedures such as Financial Regulations and Contract Standing Orders, management checks, segregation of duties, reconciliation processes for financial systems and IT Security measures. Spelthorne received £60k of the DCLG fraud fund (up to June 2016), used to assist in the detection and prevention of non benefit fraud, focusing on housing, (homeless and housing applications, tenancy fraud), business rates (evasion and avoidance), and miscellaneous frauds. Audit Services coordinated progress in terms of payback and submission of quarterly fraud returns to Surrey CC. An internal fraud referral process/system has been implemented within Housing .	24i. Prepare business case for a Corporate Fraud resource/function. 24ii. To arrange Fraud and anti-bribery and corruption training for all staff and Members (following 24ii)	Group Heads/ MAT/IAM	30 November 2016 *R Requires monitoring	As at 30th June 2016 the cumulative payback/return in tackling non-benefit fraud for the specified 18 month period equates to £675k (relates to SBC and its Partners) . This is well in excess of the original £60K DCLG fraud funding allocated to Spelthorne. The total cumulative financial return achieved across Surrey over the 18 months amounts to £5m and Surrey Treasurers are supportive of continued counter fraud work. 24i. The Internal Audit Manager has prepared a business case for a Corporate Fraud resource. Relevant Group Heads are being consulted . Audit Services and Investigating Officers continue to attend specialist Fraud groups with Surrey Partners which are very useful forums for sharing skills, knowledge and approaches to tackling fraud/ business rate avoidance/evasion cases. Internal Fraud Overview meetings also held to disseminate high level issues.

SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

PREVIOUS RAG (JUN)	CURRENT RAG (SEP)	RISK / CONSEQUENCES	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
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***KEY TO RAG RATING**

	Actions overdue and outstanding
	Partially actioned
	Completed/Ongoing monitoring

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

***KEY TO OFFICERS**

MAT - Management Team
 GH F & CR - Group Head - Finance and Customer Relations, Linda Norman
 Head of CG – Head of Corporate Governance, Michael Graham
 Head of ICT – Helen Dunn
 DCX (TC) – Terry Collier
 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

***KEY TO TARGET DATES**

- * O = Original target date for assigned action
- * R = Revised target date for assigned action
- * N = New Action

GH R & G - Group Head - Regeneration and Growth, Heather Morgan

HRM – Human Resources Manager, Debbie O’Sullivan
 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
 CS & EDO – Community Safety and Economic Development Officer, Keith McGroary
 IAM - Internal Audit Manager, Punita Talwar

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