Public

SPELTHORNE
MEANS BUSINESS

Notice of meeting

Audit Committee

Date: Tuesday, 17 October 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)	J.G. Kavanagh	H.R.D. Williams
D. Patel (Vice-Chairman)	B.B. Spoor	
T.J.M. Evans	H.A. Thomson	

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.

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AGENDA

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1.   Apologies

To receive any apologies for absence.

2.   Minutes   **5 - 6**

To confirm the minutes of the meeting held on 22 June 2017.

3.   Disclosures of Interest

To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members.

4.   External Audit report on Audit and Statement of Accounts 2016-17   To Follow

To receive a report from the External Auditor.

5.   Corporate Risk Management   **7 - 20**

To receive a report from the Internal Audit Manager.

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Minutes of the Audit Committee
22 June 2017

Present:
Councillor M.J. Madams (Chairman)
Councillor D. Patel (Vice-Chairman)

Councillors:

H.R.D. Williams

Apologies: Councillors T.J.M. Evans, B.B. Spoor and H.A. Thomson

450/17   Minutes
The minutes of the meeting held on the 18 May 2017 were approved as a correct record.

451/17   Disclosures of Interest
There were none.

452/17   Corporate Risk Management
The Internal Audit Manager summarised the risks affecting the Council as outlined in the report and highlighted a number of issues, specifically Corporate Health and Safety, Information Governance, ICT Security, risk of failure in service delivery, the Code of Corporate Governance, Procurement, Housing, Safeguarding and Debt Recovery.

The Committee noted that two risks continued to be rated as red – the Code of Corporate Governance and Procurement – and requested more detailed updates on these issues for consideration at its next meeting.

The revised Register was considered to be an accurate reflection of the high level risks affecting the Authority and progress on actions was documented on the Register.

Resolved that:
1. The contents of the Corporate Risk Register be noted and accepted;

2. That the Corporate Risk Register be recommended to Cabinet for approval.

453/17   Recruitment and retention
The Group Head for Commissioning and Transformation explained the work that was being undertaken by the Council on both recruitment and retention and training and development matters.

The Committee welcomed the recent progress that had been made and requested a further short update for consideration at its next meeting.

Resolved to note the update on recruitment and retention.

454/17 Internal Audit Work Summary 2016-17
The Internal Audit Manager outlined the Internal Audit Service Review 2016-17 which summarised the internal audit work carried out by the team during this period. The Internal Audit Manager's opinion was that the Council's internal control environment was generally adequate and effective.

The Committee noted that limited attention had been given to Partnership Governance and requested an update on this issue for consideration at its next meeting.

Resolved to note the Internal Audit Annual Report 2016-17.

455/17 Committee Work Programme
The Committee considered its Work Programme for the remainder of the 2017-18 Municipal year.

Resolved that the Committee Work Programme for the remainder of the 2017-18 Municipal year, be approved, subject to the inclusion of update reports at its September meeting on the Code of Corporate Governance, Procurement, Recruitment and Retention and Partnership Governance.

Audit Committee

17 October 2017

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 Committee is asked to note the report and recommend the Corporate Risk Register to Cabinet for approval.**
Reason for Recommendation	**Cabinet has oversight of the Council's management of risk.**

1. **Key issues**

1.1 The Corporate Risk Register ensures key risks are identified, managed and monitored. Management Team has reviewed the Corporate Risk Register (**Appendix 1**).

1.2 There are a number of significant issues to report as follows:

(a) **Information Governance (7a)** – The Information Governance Officer has produced a detailed work plan to ensure General Data Protection Regulation (GDPR) compliance by May 2018. Mandatory Data Protection training has been provided for the majority of staff (225) to highlight the implications of these new regulations, with the remaining staff to receive training by October 2017. The Information Governance Group reconvened in July to address outstanding actions which have been reassigned with expected deadlines.

(b) **ICT Security (8) –** In light of the increased risks for any organisation posed by cybercrime, a planned Internal Audit review recently commenced to consider measures being taken to protect the authority from Cyber Security threats as well as an assessment of the adequacy of the authority's planned response to any such attacks. The findings will be discussed and issued in due course. A network refresh is underway whilst implementation of the ICT strategy requires progressing.

(c) **Failure in service delivery (10 & 11)** – Spelthorne's new Chief Executive took up post from September 2017 with handover from the former Chief Executive. The Group Head for Commissioning and Transformation attended the June Audit Committee to provide an update

on measures being taken to address a number of personnel issues such as succession planning and resilience arrangements, recruitment and retention, training and support. A further update is due to be provided to the October Audit Committee on these areas. Following review of development needs for recently appointed Group Heads and Deputies, training has since been provided.

(d) **Code of Corporate Governance (13)** – This code is important to promote high standards of conduct and behaviour. The Head of Corporate Governance has recommended that review of this code which has become overdue be incorporated into the work programme of Overview and Scrutiny Committee.

(e) **Procurement (14a) –** A number of recommendations have been raised as part of an Internal Audit Review conducted in January 2017. In particular, full compliance with the Local Government Transparency Code is required (we are only partially compliant), Procurement and Contract Management guidelines need updating to reflect regulatory requirements , which should be followed by staff training/awareness sessions. It is envisaged that with the appointment of the new Procurement Officer from September these actions can be taken forward. The Group Head for Commissioning and Transformation will be providing an update to the October Audit Committee.

(f) **Housing (15)** - Management Team to continue to monitor the pressures facing the Housing Service arising from statutory changes and external factors. In particular, implementation of legislative changes arising from the Homelessness Reduction Act (due to take effect from January 2018) and assessing the likely impact on the Housing team.

(g) **Business Rates Income (17)** - Local Authorities have been invited to participate in a second round of 100% business rates retention pilots as pools across economic areas for 2018/19. Submission of a bid to the DCLG for this pilot is being pursued by the Deputy CX (Terry Collier) in close liaison with Surrey Treasurers. Whilst this may generate some additional income for the Council the pilot may potentially only be for one year and a proportion would need to be ringfenced to fund initiatives designed to stimulate economic growth. Therefore it cannot be assumed that this will significantly help close the Budget Gap for the Council.

(h) **Acquisitions and Investments (20)** – In light of the Council's ongoing asset acquisitions and investments, effective systems need to be in place to record, recover and monitor significant rental income due to Spelthorne. A robust governance framework is being developed to support all property acquisitions and investment processes (new action).

(i) **Debt Recovery (23)** – A review and refresh of the terms of reference for the Corporate Debt Group is scheduled and internal audit recommendations will be progressed through this group, in particular actions relating to the monitoring and recovery of outstanding aged debt and the governance of the recovery process. The sundry debt recovery policy is being reviewed with a view to speeding up the recovery timetable process. In order to improve efficiency further, there is scope

for Customer Services to take greater control over the persual of all sundry debts (two new actions).

2.   Options analysis and proposal

Either:

    i.   To note and accept the contents of the Corporate Risk Register. 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:

    ii.   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, financial losses, poor value for money, health and safety incidents, legal challenges and reputational damage. The three most significant risks identified as part of this review include potential failure in Service Delivery, Procurement/Contract Management and Safeguarding. Management Team may therefore need to assess if these areas 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 Audit Services.

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 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.

Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)   **Content reviewed September 2017 by the Internal Audit Manager**

PREVIOUS RAG (SEP)	CURRENT RAG (MAR	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 Policy went to Cabinet for adoption on the 21 June 2017. The Health and Safety, Insurance and Risk Administrator manages the SHE Database, overseen by the Health and Safety, Insurance and Risk Manager. The Spelthorne Safety Management system is built on the IOSH Managing Safety course syllabus and terminology. Managers have a legal requirement to conduct regular risk assessments. Induction training. Annual reminders have 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. Annual health and Safety checklist and compliance programme for Managers.Personal Safety Training provided and Lone Worker protection process being pursued. Safety Champions designated for each Service.	*1i. Recommendations raised in an Internal Audit review of January 2017 are being pursued . There is scope to tighten up controls relating to training and the 2017 Management activity/compliance programme 1ii. The inspection process across the authority needs to made more robust - regular inspections to be carried out and consistently documented to ensure evidence is available.*	HSIRM/ SEHM/ MAT/ All Group Heads *	31 December 2017 *R Requires Monitoring	1i. The Health and Safety Officer has developed an annual rolling plan of actions and activities for Managers such as conducting annual risk assessments and inspections. This is now due to take effect from January 2018. To ensure the delivery of the annual rolling plan, Champions for Health and Safety have been identified in each Service area to implement the necessary actions. Health and Safety at Work Regulations have been circulated for Managers attention. Training sessions are in place through the Council's IOSH training provision and Group Heads, Managers and Team Leaders are being encouraged for Champions to attend. The Managers and Team Leaders Guide to Health and Safety will (once completed) include instructions for the use of SHE (Health and Safety Management system). The Health and Safety Officer is also in the process of arranging training sessions for all staff on the use of SHE. 1ii. This issue will be raised at the next Corporate Risk Management Group. This group have not met frequently since 2016, due to the organisational restructure and uncertainty over some working groups.
		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. Contaminated land risk assessment was reviewed in November 2016, with the next review due November 2018, or sooner if need be. Reports periodically issued to Management Team and Cabinet. The revised contaminated land strategy went to Cabinet for adoption in June 2017.	*NONE*	SEHM*	Completed/ Ongoing Monitoring	Case law (Powys CC v Price & Anor, Court of Appeal - Civil Division July 2017 EWCA Civ 1133) has held that local authorities are not liabile for pollution created by its statutory predecessor council landfill operators. This landmark case reduced the liability for local authorities in respect of Part 2a Contaminated Land. In conseqence it does increase the liabilities of landowners near operational and historic council landfill sites; highlighting the importance of land purchases of pre-purchase land contamination risk assessment.
		3. Disaster- major in borough, e.g. flooding, resulting in significant strain on council services	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.Improvements made to the Business Emergency Centre (BEC) by ICT. 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. Prevent Strategy training provided to front line officers as well as an awareness briefing to all staff (March 2017).	*3i. 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. 3ii. A Borough Emergency Centre Exercise will be taking place in October providing an opportunity to test plans.*	CX (RT)/ GH C & T*	31 December 2017* R Requires Monitoring	3i. Implemented and monitoring continues to be underatken by the Group Head for Commissionng and Transformation. Between July and September Applied Resilience have undertaken a series of Borough Emergency Centre training sessions for staff to increase preparedness for an incident.
		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 should be 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. Revised Corporate Plan approved and publicised. Recommendations highlighted in an internal audit review of October 2016 have been addressed for the 2017/18 Service Planning process (including re-establishing annual performance reviews of Service Plans, ensuring a clear Service Plan guideline and timetable is communicated, scheduling performance indicator returns into the Cabinet forward plan, scope to make some existing performance indicator's more meaningful and improved monitoring of the staff appraisal process).		MAT / DCX LO/GH C & T	Completed/ Ongoing Monitoring	Annual performance reviews for 2016/17 have been completed where feasible and an overview has been prepared in draft. Previous actions have been addressed. Group Head for Commisioning & Transformation has confirmed implementation of internal audit recommendations raised for this area which have fed into the 2017/18 service planning process. See also risk category 5 below.

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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. .Service Plans for 2016/17 have been prepared following the restructure and placed on Spelnet.	*5i. Service Plans are being prepared, taking into account the latest Corporate Plan and priorities. They will be made available on Spelnet, enabling other services to assess the likely impact.*	Group Heads/ MAT / DCX LO/GH C & T	31 December 2017 *R Requires Monitoring	See also risk category 4 above. 5i. The majority of Service Plans for 2017/18 have been completed and placed on Spelnet.
		6. Failure of projects due to poor project management arrangements. Lack of resource and expertise to deliver and coordinate asset related/other projects whilst continuing to maintain services.	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 updated as necessary. Corporate Project team is in place. The Council's Management Team ensures project documentation is completed, resource implications assessed and agreed control processes adhered to. 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.	*6.1 i. Development of a Contract and Procurement Hub by December. 6.1 ii. Prepare an action plan for the implementation of the Hub.*	MAT /GH C & T*	31 December 2017 *R Requires Monitoring	6.1 - A plan is held for the development and implementation of a Contract and Procurement hub, setting out the Council's strategic approach to Procurement. New Procurement Officer appointment commencing from September 2017. Looking to continously improve processes and currently developing improved reporting systems and paperwork to streamline the process and encourage further organisational buy-in enabling monitoring of performance and successes more easily.
							6.1 iiiManagement team to consider limited capacity and revenue implications prior to approving additional / new projects. *6.1iv. The new Procurement Officer to promote the importance of following correct procurement processes in delivering projects.*	MAT	Ongoing monitoring	Approx. 35 projects are currently being tracked through the Project Office and TaSF programme. Resourcing of projects remains an ongoing challenge. The new Procurement 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.	*6.2. A number of options are being considered for the Bridge Street site.*	GH R & G *	31 December 2017 *R Requires monitoring	Developer Bellway pulled out of acquiring the Bridge Street site in 2016. The Council is therefore considering options.
						3. Towards a Sustainable Future - The programme for this challenging initiative identifies roles, responsibilities, key deadlines, financial implications and risks. There are three work streams/mini programmes falling under the overall TaSF programme.MAT have assigned resources to the main areas of the TaSF programme, and projects are underway. ? 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. TaSF structural review completed with the Group Head appointments from April 2016 and Deputies from July 2016. Review completed of document retention and electronic data management systems (see section 7).	*6.3. High level overview of the three work streams has been identified to ensure cohesion and coordination. Scope to ensure this is peridically considered.*	MAT	31 December 2017 * R Requires monitoring	Close monitoring of TaSF projects and timeframes is ongoing to manage risks and overall impact of the delays on the programme as a whole. Some TaSF projects have been completed whilst other areas are outstanding.
		7a. Security / data breaches, resulting in system failure, Information Commissioner fines and reputational damage.Information could be processed inappropriately resulting in breaches of the DPA. Loss of public confidence. Potential to breach Freedom of Information (FOI) Act and other Information Regulations resulting in ICO enforcement .	2	4	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 December 2016. Information Governance Group. Information Governance Officer is in post to provide ongoing guidance and ensure compliance with statutory obligations. Mandatory Data Protection training. Spelthorne currently breaches the time limit set for response to FOI requests in approx. 20% of cases and recently received a Decision Notice against the Council from the ICO.	*7i. Information Governance Group to pursue action plan to ensure information assets are identified and managed. 7ii. In view of the organisational restructure, confirmation of where the authority's Senior Information Risk Owner role (SIRO) should sit and identification of training requirements . 7iii. Refresher training for Data Protection to be rolled out which should take into account the implications of the new DPA due to take effect from May 2018 (whereby regulators can impose a significant increase in fines up to £20m or 4% of global revenue turnover). 7iv. Raise awareness of Information Governance and the requirements of the DPA amongst staff and members. Information flows to be mapped and Information Asset Owners to be identified. 7v. Implement mandatory FOI training and raise awareness of Public Sector Information Regulations.*	GH C & T */IGO *	31 December 2017* R Requires Monitoring	7i. Partially implemented - The Information Governance Group has reconvened in July to address outstanding actions which have been reassigned with expected deadlines. The Information Governance Officer has produced a detailed workplan to ensure GDPR compliance by May 18. 7ii. MAT agreed in March 2017 that the Group Head for Commissioning and Transformation would be appointed as the authorities Senior Information Risk Owner (SIRO) and training requirements have been identified with some training scheduled for September. A report is due to be prepared. 7iii. Implemented - Mandatory training sessions for all staff have been organised and delivered to 225 staff with remaining staff to be covered in September/October 2017 7iv Ongoing and represents a large piece of work. 7v . Outstanding but not a current priority due to GDPR. Officers guide on FOI requests as necessary.

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		7b. See above.				Document Retention Policy held. The authority has decided on its approach to document management and implemented the first phase.	*7iii. Electronic document management systems (EDMS) project is due to be completed by December 2017, which is intended to help strengthen information security. 7iv. The Document Retention Policy is being revisited in relation to back scanning of Building Control and Disabled Facilities Grants .*	GH C & T*/IGO* MAT	31 December 2017 R* Requires Monitoring	EDMS is progressing. The Idox document management system has been implemented for Environmental Health, Planning and Building Control with training delivered. Progress is ongoing for Building Control and Environmental Health and requirements for Planning almost complete. Close working with Customer Services currently. 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, although sufficient resourcing is required to progress this.
		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; unavailability of ICT systems; fraud eg unauthorised removal and selling of data;inadequate measures to combat cyber security attacks or respond effectively.	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 in March 2017. Now accredited until March 2018. Mimecast e-mail filtering software installed June 2016 to help reduce infected and problematic e-mails entering the Council's network. Disaster Recovery plan for ICT developed alongside Applied Resilience. The next annual Disaster Recovery test is scheduled for September 2017. National Cyber Security Strategy.	*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. 8ii. Internal Audit review scheduled for 2017 of measures being taken to protect the authority from Cyber Security threats and adequacy of the authority's response to any such attacks. 8iii. A network refresh is overdue and MAT are encoraging the need for flexible solutions.*	Head of ICT *	31 December 2017 R * Requires monitoring	8i. Whilst the Head of ICT has prepared a formal ICT strategy approved by MAT, implementation is some way off. The strategy has identified a requirement for a Business Analyst post, and this appointment has since commenced (September 2017) . 8ii. An Internal Audit Review of Cyber Security is progressing and initial draft findings were discussed with Management Team in August 2017. Further discussion of findings will take place shortly. 8iii. Network refresh underway.
		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 updated .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 , with increased resilience and support for Business Continuity Planning. Updated staff contacts list. Issues arising from the corporate table top exercise of September 2016 have been fed into the Corporate Business Continuity Operational Plan.	*9i. Monitoring the agreement with Applied Resilience (by Spelthorne) should incorporate specific targets and expected outcomes in order to measure actual performance. Monitoring needs to be meaningful and clearly evidenced. 9ii. Corporate Business Continuity Operational Plan is being updated. 9iii. Applied Resilience to issue a final deadline regarding the outstanding service-level continuity plans.*	GH C & T*	31 December 2017 (R*). Requires Monitoring	ii. The Corporate Business Continuity Plan now forms two plans so it is more meaningful for the key responders (Incident Management Team and recovery team). Resilience have collated updated Service-Level Plans (SLP) and are pursuing outstanding plans (at least six) . Group Heads have commented positively on guidance offered by the Resilience Advisor in this process. 5/6/17 - Awaiting updates from Applied Resilience to actions 9ii and 9iii.
		10. Failure in service delivery due to over reliance on individuals; loss of technical systems knowledge and expertise; staff uncertainty due to changes impacting on staff morale and stress levels.	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. Significant investment has been built into the 2017-18 Budget to address resourcing, retention and morale issues . These include moving back to a local pay award likely to mean an additional 1% for staff, building in £200k for market supplements, additional resourcing for key delivery areas of Legal and Asset Management.	*10i. In view of the imminent departure of Spelthorne's Chief Executive from September, the Audit Committee seeks assurance that the recruitment process is underway and on target. 10ii. Deputy Chief Executives to provide corporate steer for progressing Management development training based on needs identified. 10iii. Human Resources to commission bespoke training as well as utilise existing management development courses on offer. 10iv. Ongoing management of change within Finance and Customer Relations and interim pastoral support will be required until the new Group Head for Finance and Customer Relations is in post.*	Group Heads/ MAT/HRM /DCX (TC)/DCX (LO)	Completed/Ongoing Monitoring	Group Head for Commissioning and Transformation attended the June Audit Committee to provide a general update of this area and has been requested to attend the September Audit Committee to provide a further update to Members. 10i. Implemented - The new Chief Executive is now in post with effect from 4.9.17. 10ii & iii - Implemented - Human Resources have reviewed development needs for recently appointed Group Heads and Deputies and presented information to the DCX'S, with some training prioritised. Training has been provided by Advisory, Conciliation and Arbitration Services and further training is scheduled for September 2017 . 10iv. Implemented - A structural review of Customer Services has been completed and recruitment underway together with an office refit to support the changes in ways of working. Appointments have been made for a new Chief Accountant and Deputy Chief Accountant to oversee the Finance team, and interim support has been in place (Interim Finance Manager) to cover the gap between permanent post holders. The Deputy Chief Account is in post and the Chief accountant starts shortly.

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		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. If resources cannot be enhanced, services will have to prioritise work. 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 are also used to advertise posts. Annual report by Human Resources issued to Management Team summarising staff recruitment and turnover. The commissioned piece of work on areas under specific pressure in terms of recruitment and retention has been completed in 2016 and options considered. Market supplements awarded to certain roles and increased investment allocated to certain Services.	*11i. 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. 11ii. Implementation of requirements relating to the national apprenticeship scheme. 11iii. Human Resources to monitor the effectiveness of measures taken to improve recruitment and retention across the authority , in collaboration with Services.*	Group Heads/ MAT/HRM	31 December 2017 * R Requires monitoring	11i. ongoing 11ii. Briefing sessions have been held to raise awareness amongst Managers about the national apprenticeship scheme and uptake is being encouraged where feasible. A decision regarding the authority's preferred approach to apprenticeships is underway. 11iii. Group Head for Commissioning and Transformation attended the June Audit Committee to advise Members of the recruitment and retention challenges faced by the authority and improvement measures taken . A further update will be provided to the September Audit Committee.
		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. See also controls recorded under section 10 above.	*12i. Management Team to keep under review.*	MAT	Completed/Ongoing monitoring	MAT maintaining under review . There is an ongoing risk of low morale and increased turnover during times of organisational change and uncertainty which MAT acknowledge. However additional budget provision built in to the 2017 - 18 budget for market supplement to assist with recruitment and retention; Council has moved back to a local pay scheme allowing an additional 1% pay increase.
		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.	*13. The Council's Code of Corporate Governance is due for review.*	MAT or Head of CG	31 December 2017 R* Outstanding Action	As the review of the code of Corporate Governance remains outstanding, Audit Committee have asked the Head of Corporate Governance to attend the September Audit Committee to provide an update on progressing the review . Following the June Audit Committee the Head of Corporate Governance suggested that this area be incorporated into the work programme for Overview and Scrutiny Committee.
		14a. Procurement - Weak governance arrangements and lack of transparency. Financial penalties for non-compliance with legislative requirements. Contractual disputes and claims through poor specifications. Weak contract management resulting in Contractors/partners failing to deliver expected outcomes. Reputational damage, challenge and poor VFM	3	3	3	Contract Standing Orders set out tendering requirements, revised in April 2016. Contract guidelines with compliance checklist. Officer Code of Conduct sets out requirement for declaration of interests. Contract management training held in 2012 and 2013. Specification writing training taken place. Procurement training provided 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. Development of Contract and Procurement hub. The Procurement strategy has been updated in early 2017, to include a strategy action plan to facilitate monitoring. The new Procurement Officer to take this forward.	*14i. Full compliance with the Local Government Transparency Code is required and should be confirmed once achieved. 14ii. 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. 14iii. 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. 14iv. The future of the Procurement Board to be considered as part of a review of all boards across the authority (NEW) 14v. Development of a Contract and Procurement Hub by December 2017 and preparation of an action plan to assist implementation .*	MAT DCX (TC)/ PS/Group Head C & T*	31 December 2017 *R Requires Monitoring	Group Head for Commissioning and Transformation has been requested to attend the September Audit Committee. 14i, 14ii &14iii . Whilst currently outstanding it is envisaged that with the appointment of the new Procurement Officer from 18 September 2017, these proposed actions can be taken forward and implemented. Compliance with the transparency code is being addressed through the purchase of a procurement and contract management system used by 27 local authorities and will be a priority for the new Procurment Officer. Documentary evidence of procurement processes followed and performance monitoring is recognised as an area for improvement (highlighted in the recent internal audit review) and the Group Head for C & T envisages that with the new Procurement Officer and a service level monitoring officer at the Depot this area should improve. 14iv. -The Procurement Board have not met frequently since 2015, due to the organisational restructure and uncertainty over assigned roles, responsibilities and direction of Boards. Furthermore it is felt that a board may not be required. 14v. A plan is held for this.

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		14b. Major Contracts - Lack of forward planning in preparation for the expiry of existing Leisure Centre arrangements in 2021, resulting in delays in Service provision. Delays in delivery of project and key milestones.	3	3	3	Leisure centre operator contract ends 2021. A paper entitled "Leisure Centre Needs Analysis" was submitted to MAT in July 2014. This was updated in May 2017 and endorsed the recommendation to carry out a feasibility study to refine options going forward. All project related documentation is in place for the project start up including project plans, outline business case (identifying risks and issues) and highlight reports. Project Management is shared between the Joint Head and Deputy Group Head for Community Wellbeing. Councillors have been kept informed of key progress milestones. A high level discussion document was presented to Cabinet in October 2016 and a project team has subsequently been formed to support the future direction of this project.	*14bi. Project progress to be monitored against plan to ensure timely progress. 14bii. This project should be included in the Corporate Project Register to facilitate regular monitoring and reporting by the Corporate Project team. 14biii The tender for the appointment of specialist advisors to assist with the development of the feasibility study and financial business plan is due to be published by 30th SeptembeR 2017. (NEW) 14biv. A final decision on the site for the new leisure centre is under consideration. (NEW)*	Joint Group Heads CW/Deputy Group Head CW *	31 August 2017 *R Requires Monitoring	Update received from the Deputy Group Head for Community Wellbeing on the following areas: 14bi. A high level and more detailed project plan is now in place to monitor progress against. Although it is difficult to be precise at this stage of the project, high level milestones and deliverables have been identified. 14bii. This project is now on the Corporate Projects Register with all project related documentation completed. Although a clear view on how the project will progress will not be apparent until the feasibility study is complete, outline requirements and timeframes are starting to emerge. 14biii The tender for specialist advisors will remain open for 2 weeks and a preferred supplier to be appointed to commence work by early October 2017. 14biv Action is being taken to review potential solutions to address the risks identified in the flood risk assessment (May 2017) around the preferred site. Any proposed engineering solutions will need to be cost justified.
		15. Pressures on Housing Service as a result of economic climate and welfare reforms. 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. Insufficient affordable properties. Housing shortage.	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 2022. 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 £2.7m 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. The Department for Work and Pensions (DWP) have advised further on the number of cases that have been affected by the new benefit cap rules and this is 161 claims, less than the previous prediction of 215 claims (up to 500 was originally anticipated).Housing Company being set up. Close working with private landlords. New Landlord guarantee scheme went live in Sep 2016 with a number of Landlords having signed up. Projects commenced to ensure strategies are followed. Corporate Debt Group.	*15.i A model for the strategic way forward in delivering the Housing function is being applied . 15ii. Management Team to continue to monitor the pressures facing the Housing Service. 15iii. Implementation of legislative changes arising from the Homelessness Reduction Act effective from January 2018 and planning for the likely impact on the Housing team (NEW)*	MAT / Joint Group Heads CW *	31 December 2017 * R Requires Monitoring	15.i Knowle Green Estates (subsidiary) set up in May 2016 focusing on Housing Delivery. Despite this the pressures on the frontline Housing Services are continuing to increase. There is additional pressure as the impact of County Council cuts on areas such as local voluntary organisations, the closure of key hospital units, Supported Housing schemes, Adult and Children's Services generally filter through to organisations and individuals. Staff are spending considerably more time on cases and becoming frustrated at the shortage of community based support mechanisms for clients. There is a new Houisng Options manager in post who will be putting forward proposals to address some of the pressures of upcoming legislative changes. There will be increased duties placed on local authorities to prevent and relieve homelessness. A new post for a Strategic Housing Manager has been approved and will be advertised shortly.
		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. A responsible officer to review, update and re-issue the Partnership Governance policy. 16ii. A list of significant Partnerships entered into should be identified and recorded centrally. 16iii. Completion of questionnaires to make an assessment of Partnership governance arrangements. 16iv. Members of Overview and Scrutiny Committee to scrutinise Partnership activity if required.*	MAT	31 December 2017 * R Requires Monitoring	Internal Audit review of 2016/2017 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. The Group Head for C & T issued a report to Management team in July 2017 outlining the intention to implement all of the recommended actions. As a first stage a list of significant partnerships entered into across the authority has been compiled and shared.

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		17a. Uncertainty over economic growth and supplier failure, impacting on: • 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. Spelthorne are a member of the Surrey Business Rates pool 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.On 15 February 2017 the DCLG published a second consultation on further business rates retention, alongside a summary of responses to the first consultation last year.	*17i. Impact of new Business Rate arrangements on Council finances is under ongoing review.* *17ii. Business Rates project being pursued.* *17iii. Local Authorities have been invited to participate in a second round of 100% business rates retention pilots as pools across economic areas for 2018/19. This is being pursued by the Deputy CX (TC) in close liaison with Surrey Treasurers. (NEW)*	DCX (TC)/Acting Group Head CR *	31 December 2017 * 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 Use Analyse Local software as information source . Business Rates Avoidance Officer post approved but not yet recruited. This role is intended to assist in maximising the tax base and target potential areas of avoidance. Additional counter fraud resource has also been made available from August 2017 to identify and investigate potential tax avoidance and evasion cases, working to a specification of high risk categories. See also risk category 26, Corporate Counter Fraud.

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		17b. Economic Development Strategy fails to be implemented impacting on growth				Economic Development Strategy is reviewed every three years. 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. Funding subsequently approved. A CRM is being developed to track Spelthorne's top 20 businesses with regards to key account management. A permanent post of Business Engagement Officer has now been created (8 May 17) to support inward investment / key account management for 3 days per week. The updated 5 year economic assessment & development strategy for 2017 - 2022 was approved by Cabinet in February 2017. It incorporates recommendations made by Internal Audit in their 2016 review such as formal clarification of responsibilities, establishing timescales for actions in the strategy (wherever possible) to improve accountability, documentary evidence for decision making, enhancing performance review and monitoring mechanisms, and ensuring regular formal Member oversight of the strategy. A Business Improvement District has taken effect for Staines-upon-Thames and charges have been incorporated into annual billing for business rates.	*17iv. Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review.* *17.v. The updated 5 year economic assessment & development strategy for 2017-2022 and associated processes incorporate recommendations raised by Internal Audit in their review of December 2016. One such recommendation made is that progress on each of the 'actions' in the strategy needs to be regularly monitored by the Economic Development Engagement Group (EDEG) bi-annually. 17vi. 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.*	DCX (TC) */GH R & G*/ CS & EDO*	31 December 2017* Requires monitoring	17iv. Ongoing review. 17v & 17vi - Each year the economic development plan will be reviewed and amended as necessary, with targets that have been achieved removed, and new emerging targets included subject to approval from the EDEG.
		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. Professional HR support. Equality and Diversity working group and training provided to all staff.	*18. Where HR guidance is issued to officers in relation to changes in employment legislation, this needs to be consistently evidenced (documented) as a safeguard against potential employee claims.*	MAT/ Group Heads/ HR Manager *	Completed/ Ongoing Monitoring	There is a range of different legislation that Human Resources have to oversee and there is no one set process when implementing change. Where there are possible contractual changes and other implications Human Resources notify managers and recent examples of this are the IR35 changes and English Language requirement. Measures are taken to ensure policies, procedures and working practices are compliant and incorporate best practice. Human Resources also feed into the SLP training programme to ensure any legislative changes are covered in courses on offer for our staff.
		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 have been revised Feb 2017. The latest Safeguarding Policy was approved by Cabinet in March 2017 and is on Spelnet. The updated referral procedure is displayed on all notice boards. Instructed to escalate any cross border referrals/ issues to the senior safeguarding managers.	*19i. Further liaison with Surrey County Council is necessary in order to strengthen the feedback process relating to children's referrals . 19ii. Staff training needs to be assessed and revised policies/processes publicised in due course. 19iii. Internal Audit recommendations of December 2016 are being implemented.*	DCX (TC)/LSM/ ILM/Joint Group Heads - CW *	Completed/ongoing monitoring	19i. Implemented - The Deputy CX, Terry Collier and Joint Group Head for CW (Karen Sinclair) met with recently appointed Head of the Surrey MASH team, Carl Bussey on 21 June 2017 to discuss concerns about cases at that time with a view to improving communication. It was a positive meeting and Carl Bussey is keen to improve processes, requesting also that Spelthorne work with him on a challenge panel to test the improvements. This officer appears to be very proactive in responding to Spelthorne's issues. As at 29/8/17 there are no outstanding cases from Housing which have been referred to Social Services. 19ii. Implemented - The Leisure Services Manager has liaised with Human Resources to ensure an accurate list is held of staff requiring training and DBS checks. A new online safeguarding training module was launched at Spelthorne in December 2016 and cascade training has been provided for Streetscene and Spelride drivers. 19iii. Measures have been taken to address latest internal audit recommendations.

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		20. Service delivery and planning difficulties due to Central Government funding being withdrawn and therefore reduction in spending. Possible withdrawal of New Homes Bonus with impact on Revenue Budget. Opportunities for significant income generation and investments are missed, impacting on the Council's ability to close the budget gap and deliver vital services.	3	4	4	Long term strategic/financial planning. Corporate Plan / priorities reviewed. Member engagement 'Towards a Sustainable Future' programme identified potential savings and additional sources of income. The Council is working to find innovative ways to fund services and create new revenue streams. Advice is sought from the Treasury Management advisors as appropriate.	*20i. Towards a sustainable future programme to be delivered 20ii Contract agreements to include relevant clauses in order to safeguard the Council's interests , with monitoring arrangements to follow. 20iii. Effective systems need to be in place to record and recover significant rental income due to SBC. 20iv. A robust governance framework is being developed to support property acquisitions and investment processes (NEW)*	MAT	31 December 2017* Requires monitoring	20i. TaSF programme being progressed. Officer Structural Review completed. As part of Income Generation there have been significant Asset acquisitions and Investments during the current and previous financial year. In September 2016 Spelthorne Borough Council announced the purchase of the campus occupied by BP in Sunbury-on-Thames. BP will remain as tenants at the Sunbury site leasing back the offices from SBC for a minimum of 20 years. This will generate significant income year on year helping the financial sustainability of the Council. 20ii Awaiting update on status of actions. 20iii. Assigned officers within Asset Management and Finance have been advised of their duties.
		21. Reduction in service delivery, reduced capacity and possible loss of internal control as a result of savings required to balance budget	3	3	3	Management as the first line of defence 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.	*21i. MAT to acknowledge that reduced resources and capacity levels has an impact on the level/adequacy of controls operating within functions/corporate systems and processes. Associated with this is a lower level of assurance.*	Group Heads/ MAT	Completed/ongoing monitoring	2017/18 Budget providing additional resources for Housing, Legal and Asset Management. A new Property Manager and Procurment Officer have recently been appointed.
		22. Changing political landscape - Brexit represents many potential uncertainties for organisations such as currency devaluation/volatility, trade, investments, relocation of Partners/Suppliers, changing access to EU funds, level of compliance with EU regulations , workers rights (EU Nationals), existing policies and procedures, procurement process	3	3	3	At the request of Management Team, a discussion paper setting out potential staffing implications and uncertainties associated with Brexit has been prepared by the Human Resources Manager (March 2017). A verbal update has been provided with regards the potential financial implications, risks and opportunities .	*22i. MAT to consider potential Brexit uncertainties for Spelthorne and have a plan in place to address.*	MAT	31 December 2017* Requires monitoring	This area reqires ongoing review .
		23. 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	Appointments have been made for a new Chief Accountant and Deputy Chief Accountant to oversee the Finance team including the Treasury Management role, and interim support has been in place (Interim Finance Manager) to cover the gap between permanent post holders. The team continues to explore options for diversifying the portfolio. As well as investments the Council now has £413m worth of debt (fixed rate) a result of the recent asset acquisitions. The portfolio continues to deliver good rates of return - on core pooled funds achieved average rate of return of 5.18%. Consultation on CIPFA Code of Practice and Prudential Code is currently underway.

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		24. Failure to collect/recover income due, resulting in losses to the authority.	3	3	3	Corporate Debt Officer Group reconvened.This forum is used to monitor the more material items on the aged debt analysis and also coordinate action to tackle debt that is unlikely to be recovered. The DCX, Terry Collier, as S151 Officer, receives and reviews a monthly status report of 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. Corporate Recovery Policy held. 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. Debt recovery training for relevant staff has been provided.	*24i. The terms of reference for the Corporate Debt Group require review. Outstanding internal audit recommendations can be monitored and progressed through this group, in particular actions relating to the monitoring and recovery of outstanding aged debt and the governance of the recovery process.* *24ii. The sundry debt recovery policy is being reviewed with a view to speeding up the recovery timetable process. (NEW)* *24iii. In order to improve efficiency, there is scope for Customer Services to take greater control over the persual of all sundry debts. (NEW)*	MAT/ DCX, TC/AGH CR/ Group Heads	31 December 2017 * R Requires Monitoring	24i. A review of the terms of reference for the Corporate Debt Group is on the agenda of the next meeting.
		25. Serious and organised crime poses a threat to national security; lack of awareness may lead to harm to the local community or staff; intelligence is not shared or acted upon; organised crime groups could be benefitting from public sector procurement contracts resulting in financial or reputational losses	3	4	4	The Internal Audit Manager is Spelthorne's Single Point of Contact for Serious and Organised crime. There has been liaison with the Police and official documentation provided on requirements for Spelthorne.	*25i. Serious and Organised Crime Audit to be carried out in accordance with the official Police framework. This is intended to identify areas where Spelthorne is most vulnerable/ at risk . 25ii. Group Heads and Managers to assess governance arrangements currently in place to help combat the risk of serious and organised crime.*	IAM/ Group Heads/MAT	31 December 2017 * R Requires Monitoring	25i. The Internal Audit Manager met with the local Police team in April 2017 to identify high risk areas generally and specifically for Spelthorne, which have been communicated to the DCX (Terry Collier). The framework to be applied for the Serious and Organised Crime Audit was also discussed . Prior to commencing the audit, the Police representative and Internal Audit Manager will be raising general awareness of this topic at a future Manager's Briefing (these briefings have not been held for several months) or corporate staff meeting. 25ii. This action will be taken forward as part of the planned audit, in collaboration with Group Heads and Managers.
		26. 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 the 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. An internal fraud referral process/system has been implemented within Housing . 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. Fraud alerts and relevant reports are circulated. A growth bid for additional Corporate Counter Fraud resource approved for 2017/18.	*26i. Assign additional counter fraud resource to priority areas and monitor financial payback. 26ii. To arrange Fraud and anti-bribery and corruption training for all staff and Members.*	Group Heads/ MAT/IAM	31 December 2017 *R Requires monitoring	Counter fraud work continues with non-benefit fraud returns being collated quarterly, focusing on housing and business rates (evasion and avoidance). At 30.6.17 the cumulative return for Spelthorne (since the start of the Surrey Fraud Partnership in January 2015) is £931,000. Document verification systems are being explored for use across the authority (corporate anti-fraud measure). 26i. Implemented. Additional counter fraud resource for 2017/18 procured from Reigate and Banstead Council, in accordance with a pre-defined specification. This contractual arrangement is being closely monitored by the Internal Audit Manager. Financial payback will be monitored periodically. A meeting was also held with A2D to discuss scope for greater joint working in an attempt to combat tenancy fraud. 26ii. The Internal Audit Manager has recommended to Human Resources and the DCX'S a need for Corporate Fraud , anti-bribery and corruption awareness training for all staff and Members. It has been about 5 years since such training was provided and it is therefore overdue. Effective methods for delivery being explored.

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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

*KEY TO TARGET DATES

* O = Original target date for assigned action

* R = Revised target date for assigned action

* N = New Action

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AGH CR - Acting Group Head for Customer Relations, Roy Tilbury
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

GH R & G - Group Head - Regeneration and Growth, Heather Morgan
IGO - Information Governance Officer, Clare Williams
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

Audit Committee **17 October 2017**	SPELTHORNE MEANS BUSINESS

Title	Annual Governance Report		
Purpose of the report	To make a decision		
Report Author	Chief Finance Officer		
Cabinet Member	Councillor Howard Williams	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	**The Audit Committee is asked to approve the draft Annual Governance Statement at Appendix 1 and endorse the improvement actions identified in the Statement**		
Reason for Recommendation	**The Committee has a statutory duty to review and approve on behalf of the Council the Annual Governance Statement.**		

1. **Key issues**

1.1 The need to review arrangements for corporate governance and internal control and to produce the Annual Governance Statement (AGS), attached as Appendix 1, is given statutory backing by the Accounts and Audit Regulations 2006. The CIPFA/SOLACE governance framework 'Delivering Good Governance in Local Government' brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation.

1.2 CIPFA has assigned proper practice status to the governance framework. It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and (where applicable) leads the community. The degree to which the authority follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations. The Annual Governance Statement (AGS) sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The AGS also identifies any areas of significant weakness in internal controls, and areas for improvement, and the actions taken to remedy these.

1.3 The Annual Governance Statement relates to the system of governance arrangements and internal control as it applied during the financial year in this case, the 2016/17 financial year.

1.4   The Audit Commission's Code of Audit Practice states that the AGS and underlying process will form a key piece of evidence for auditors' work on the authority's arrangements to secure economy, efficiency and effectiveness. In summary, the AGS will form an increasingly important part of the external auditors' work and subsequent opinion on the control arrangements of the Council.

- Reviewing the effectiveness of Internal Control
- The scope of internal control spans the whole range of local authority activities and includes those controls designed to ensure that:
- Council policies are put into practice.
- There is compliance with law and regulation.
- Agreed procedures are followed.
- Financial statements and other published information are reliable and accurate.
- There is the efficient and effective use of management and resources in the delivery of high quality services.

1.5   The CIPFA statement recommends that the Council should satisfy itself that it has obtained relevant and reliable evidence to support the Statement and sets out an assurance gathering process framework. This framework comprises the following stages:

- Establish principal statutory obligations and organisational objectives
- Identify key risks to their achievement
- Identify and evaluate key controls to manage principal risks
- Obtain assurances on the effectiveness of key controls
- Evaluate and identify gaps in controls and assurances
- Produce an action plan to address gaps and ensure continuous improvement in internal controls
- Produce the Annual Governance Statement
- Report to Committee

1.6   The sources of assurance include:

- Published documents (e.g. Constitution)
- Corporate management team and managers throughout the organisation assigned with the ownership of risks and delivery of services
- The Monitoring Officer
- The Responsible Financial Officer

- Internal Audit

- External Audit

- Review agencies and inspectorates

- Review of Corporate Risk Register by Management Team; Corporate Risk Management Group; Audit Committee and Cabinet

1.7 In undertaking the review and completing the Annual Governance Review all of the above sources of assurance have been taken into consideration.

1.8 An important source of assurance is provided by the work of Internal Audit and several of the control issues identified in part 3 of the Statement relate to items identified in the Audit Services' Reports for 2016/17 which have been considered by the Audit Committee, particularly with respect to issues identified in the Corporate Risk Register.

1.9 It is important the actions identified with regard to the control issues are taken forward.

2. Options analysis and proposal

2.1 It is proposed that the Audit Committee approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2016/17.

3. Financial implications

3.1 There are none.

4. Other considerations

4.1 The Accounts and Audit Regulations require the Statement of Accounts to include a signed off Annual Governance Statement, failure to do so could result in qualification of the accounts Timetable for implementation

5. Timetable for implementation

5.1 Not applicable.

Background papers:

Appendices:

Appendices: Appendix 1: Annual Governance Statement

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ANNUAL GOVERNANCE STATEMENT 2016-17

Scope of responsibility

Spelthorne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, this includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at www.spelthorne.gov.uk or can be obtained from The Council Offices, Knowle Green, Staines TW18 1XB. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (amendment) (England) Regulations 2011 in relation to the publication of an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. It also identifies activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives of appropriate, cost effective services

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

<u>Identifying and communicating our vision and outcomes for citizens and service users</u>

- The Council publishes on regular basis (normally every three years) its Corporate Plan.
- The Corporate Plan and priorities feed into the Service Plans which set out the financial and performance objectives of each service for the year. In 2016 the Council published a Corporate Plan for 2016-19
- The Council has a comprehensive system for the completion of Service Plans and performance reviews. A review of 16/17 is being produced and service plans for most areas have been completed for 17/18. In 16/17 service plan completion was mixed due to many areas of the Council undergoing significant structural change following on from the appointment of Group Heads in April 2016. Many service plans were therefore not completed until the autumn. However, a suite of key performance indicators were reported on quarterly to Surrey chief executives
- Other significant plans and policies are contained within the Policy Framework and are regularly reviewed to ensure that they remain relevant and effective. In 17/18 a major review of policies is being undertaken to ensure they are regularly updated revised and reported on especially following on from the organisational changes in 16/17.

<u>Reviewing our vision and its implications for our governance arrangements</u>
- The Council regularly reviews the overall vision for the Council and the Borough and its implications for the Council's governance arrangements. Progress towards the achievement of the corporate priority objectives will be monitored through the performance management system and reported to Cabinet or to the Overview and Scrutiny Committee as appropriate.

- The Council engages with the public through multiple channels depending on the circumstances. We also work closely with our partners to understand the wider work of the public sector in Spelthorne. This is co-ordinated through the Local Strategic Partnership "Spelthorne Together" . The objectives of Spelthorne Together are reviewed annually at its annual assembly each September. The Council is currently discussing with its partners the way forward for the Spelthorne Together partnership.

<u>stablished clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation</u>

- Communication and Consultation strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted.

  The Council undertakes to consult on new policies, strategies and plans which will have an effect on the Spelthorne community. The Council uses a wide variety of methods to obtain feedback from the community. Recent examples of consultation exercises can be viewed on our on-line consultation pages.

The Council is developing its use of social media to provide additional opportunities to engage with its residents. The Council has recently reviewed its mobile website to ensure that it is responsive to the growing need for residents to engage with the Council through mobile technology. .

- <u>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication</u>

- Spelthorne Borough Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Council operates Executive arrangements with a Leader and Cabinet (since 2011-12 it has operated the Strong Leader model whilst retaining a Cabinet) who recommend the major policies and strategies to the Council. The Cabinet is also responsible for most of the non-regulatory functions of the Council. The Cabinet is made up of the Leader and eight other cabinet members, who are all appointed by the Leader. Major decisions which affect significant proportions of the community are published in advance in the Cabinet's Forward Plan, and will always (unless there are exceptional circumstances) be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Cabinet wishes to take outside the budget or policy framework must be referred to Council as a whole to decide.

- There is one scrutiny committee ie. the Overview and Scrutiny Committee which reviews decisions and actions taken by the Cabinet and other Council functions. A "call-in" procedure allows scrutiny to review Cabinet decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered. The scrutiny committee also reviews, monitors and scrutinises the performance of the Council in relation to its policy objectives, performance targets, action plans and relationships with external partnership bodies and organisations. Within its community leadership functions, the scrutiny powers have been exercised by the Council in relation to the work of other partner organisations which affect the whole of the Spelthorne Community.

- The Council has agreed a Local Code of Corporate Governance in accordance with the revised CIPFA/SOLACE Framework for Corporate Governance and in doing so has adopted the highest possible standards for the governance of the Council.

<u>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff</u>

The standards of conduct and personal behaviour expected of members and officers of Spelthorne Borough Council, its partners and the community are defined and communicated through codes of conduct and protocols. The Members Code of Conduct was revised in 2012 reflecting the changes required by the Localism Act. It has subsequently been kept under review by the Members Code of Conduct Committee along with the supporting arrangements for residents to make a complaint. The Staff Code of Conduct was also reviewed around the same time The protocols include:

- Member Code of Conduct Committee

- A policy on Gifts, Hospitality and Sponsorship

- A Conflicts of Interest policy

- A performance management system

- Regular performance appraisals for staff linked to corporate and service objectives

- An Anti Fraud, Bribery and Corruption policy

- The Member / Officer protocol

Whistle-blowing and receiving and investigating complaints from the public

- Confidential reporting arrangements are in place to enable internal and external whistle blowing. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

  The Council handles complaints effectively, the corporate complaints process was reviewed and revised in 2016-17 following a management restructuring with new arrangements implemented in 2017

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Council regularly reviews and updates standing orders, standing financial instructions, its scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks. In the recent years both Financial Regulations and Contract Standing Orders have been revised in light of changing circumstances. . Refresher training on procurement and the application of the Contract Standing Orders has been provided to officers.

Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- Spelthorne Borough Council has a duty to ensure that it acts in accordance with the law and various regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Procedure Rules and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.

- Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, and Fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in policy, or new documentation following new legislation. Reminders are provided for staff on

key policies which protect them and the public, for example the whistle-blowing policy and the Money Laundering Regulations.

- The Council has a designated Monitoring Officer who is the Head of Corporate Governance who is responsible for ensuring compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and the Chief Finance Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No reports have been necessary in recent years.

Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.

Financial Management

- The financial management of the Council is conducted in accordance with the financial rules set out in Part 4 of the Constitution, which includes the Financial Regulations. The Council has a designated officer who fulfils the role of the Section 151 Officer in accordance to the Local Government Act 1972. The Council has in place a medium term financial strategy. The Section 151 officer sits on the corporate management team in line with best practice.

- Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

- Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

  In particular, the process in 2016/17 included:

- The setting of the Outline Budget framework and the detailed annual Budget;
- The production of an Efficiency Plan for the Department of Communities and Local Government by the required October 2016 deadline
- Monitoring of actual income (including investment returns) and expenditure against the annual Budget;
- Monitoring business rates retention performance and levels of appeals
- Setting of financial and performance targets, including the prudential code and associated indicators;
- Monthly reporting of the Council's financial position to corporate Management Team and quarterly to the Cabinet and the Overview and Scrutiny Committee;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;

- The Council has invested resource in both its key asset income generation projects designed to generate future income to help offset the impact of reducing revenue support grant and in its Staines-upon-Thames development programme designed both to support the Council's economic development priority and to generate income for the Council
- The Council successfully acquired a major income generating asset within the Borough which significantly improved the Council's financial position
- Managing risk in key financial service areas.
- Funding from the Department for Local Government and Communities was made available across Surrey for an 18 month period from January 2015 to June 2016 to assist in the detection and prevention of non-benefit fraud (corporate fraud). Spelthorne participated along with other Surrey Councils, focusing on housing, (homeless and housing applications, tenancy fraud, right to buy applications) and business rates (evasion and avoidance). Significant payback/returns have been achieved from the DCLG grant funding (Spelthorne received £60,000) and as at 30.6.16 the cumulative return for Spelthorne was £675k (shared across SBC, Surrey CC and Surrey Police). The proportion of savings retained by Spelthorne for the 18 month period were in excess of £200k. On the basis of this positive outcome a revenue growth bid for additional fraud resource was approved for 2017/18. At 31.3.17 the cumulative return for Spelthorne since the start of the Surrey Fraud Partnership in January 2015 was £855k, out of which £581k relates to Business Rates.

Sustainability

The Council recognise the importance of good governance in supporting the delivery of broader sustainability objectives; During 2016-17 the Council:

Consulted on and updated its Economic Assessment and Strategy for the Borough and implemented a new action plan for implementation
- Updated its sustainability plan

Effectiveness of Internal Audit

- The Council maintains an internal audit section, which operates to the standards set out in the "Public Sector Internal Audit Standards"

- The Council has an objective and professional relationship with External Audit and statutory inspectors as evidenced in the Annual Audit Letter

- A review of the effectiveness of internal audit is undertaken annually and considered by the Audit Committee.

A Governance (Audit) Committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

- The Council has an Audit Committee which is responsible for considering the effectiveness of the Council's system of internal control. This Committee

performs the core functions as set out in CIPFA guidance. Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

Compliance

The Council's financial management arrangements conform with the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) with the Chief Financial Officer being a member of the corporate management team.

Performance and Risk Management

- The Council has performance management and data quality arrangements in place for measuring the quality of services for users, and for ensuring they are delivered in accordance with the authority's objectives. Following on from the LGA Peer Review in 2014 the Council has refreshed its approach to performance management to include regular reporting on a suite of indicators. The Council has further reviewed this and annual performance reviews have been produced for 16/17 following on from this a performance management strategy is being developed together with reporting on corporate plan implementation

- The Corporate Risk Management Group meet periodically. The Council's Corporate Risk Register is owned by the corporate management team which review it three times a year, as well as Cabinet and Audit Committee. During 2016-17 the Council improved how information on progress on addressing risks is identified on the Corporate Risk Register. Audit Services support the risk management process through the risk based audit approach and are assisting Managers in populating risk and control assurance templates... Risk management is built into the Council's corporate project management methodology.

The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- A resourced training and development plan is in place for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

Incorporating good governance arrangements in respect of partnerships and other group working

The Council incorporates good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflects these in the Council's overall governance arrangements. The Council works closely with partner commissioning authorities, e.g. Surrey County Council and the Clinical Commissioning Group.

The ethical conduct of members and officers of this Council

- The Council has established a Members Code of Conduct Committee and the Members Code of Conduct was revised in accordance with the new national framework.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Managers' annual report, and also by comments made by the external auditor and other review agencies and inspectorates.

Officer's reviewed the Council's governance arrangements and assessed them against the six CIPFA/SOLACE core principles underpinning the then new Code of Corporate Governance framework issued by CIPFA/SOLACE. The six principles are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Members and officers working together to achieve a common purpose with clearly defined functions and roles

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- Developing the capacity and capability of members and officers to be effective

- Engaging with local people and other stakeholders to ensure robust accountability

In order to establish the ongoing basis for Annual Governance reporting, an officer working group consisting of Head of Audit Services, Head of Corporate Governance and Head of Finance and Resources completed during 2011-12 a detailed assessment of the Council's position against the criteria set out in the eight objectives underpinning the Code of Governance framework. The eight objectives are:

- Establish principal statutory obligations and organisational objectives

- Identify principal risks to achievement of objectives

- Identify and evaluate key controls to manage principal risks

- Obtain assurances on effectiveness of key controls

- Evaluate assurances and identify gaps in control/assurances

- Action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance

- Produce the Annual Governance Statement

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- Report to Audit Committee

The review included reviewing the constitution, procedures and obtaining confirmation of arrangements from key officers to ensure that there was sufficient and relevant evidence to provide assurance that there are appropriate controls in place.

The officers' review of arrangements against the six principles included considering the arrangements in place for:

- The authority

- The Cabinet

- The Audit Committee and Overview and Scrutiny Committee

- The Members Code of Conduct Committee

- Internal audit

- Other explicit review/assurance mechanisms.

The review this year has provided reassurance to management of the Council that the governance arrangements in place are adequate and effective. The review has been considered by the corporate management team as well as by Audit Committee

The LGA Corporate Peer Challenge in 2014 provided useful feedback on the effectiveness of our governance arrangements and made some suggestions for consideration relating to overview and scrutiny.

The Constitution was reviewed by Council in 2016 following extensive work by Legal and Committee Services teams, the corporate management team and close liaison and feedback from members.

Significant governance issues

Informed by the work of the Internal Audit Manager our opinion is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit services during 2016/17 which is summarised in the Annual Audit report.

Management has agreed in the majority of cases to address any shortcomings identified by Audit, or accept the associated risks of not doing so. Issues with a significant level of risk attached have been transferred into the Council's Corporate Risk Register for regular monitoring by Management Team and the Audit Committee to ensure agreed recommendations are implemented.

During 2016-17 internal audit reviews made recommendations in the following areas:

ICT - Incident management process - identified scope for users to be made aware of their responsibilities and procedures to follow when reporting an incident, encouraging prompt reporting iof security weaknesses and regular training.

Emergency Planning and Business Continuity –- monitoring the agreement with Applied Resilience for the delivery of Emergency and Business Continuity Planning to incorporate specific targets and outcomes to enable meaningful performance monitoring.

Housing Benefits areas for improvement relating to:
-   Debt management and reporting (overpayments);and Management review of daily reconciliations between Council Tax Support and Council Tax.

Cash Collection and Banking – improvement actions identified relating to reconciliation process

-   Leisure Centre Contract – recommendations made with respect to monitoring the profit sharing clause , and project management planning with respect to preparing for post 2021 Leisure Centre provision

Community Infrastructure Levy (CIL - Planning) -Scope for improvement was identified in terms of: timeliness of issuing income demand notices to developers and undertaking income reconciliation (regular exercises should form part of budget monitoring)

-   Partnership Governance- A responsible officer to review, update and re-issue the Partnership Governance policy. A list of significant Partnerships entered into (strategic, commercial and work- related) should be identified and recorded centrally (work in progress).A number of other recommended actions relate to improving the governance arrangements.

-   Housing - Reduction in processing times for homelessness applications to be targeted;formalisation of delegations for routine decisions;
-   provision of a banding changes report would enable clearer visibility of all banding changes and would facilitate management checks.
-   Improvements to be made to monthly Sales Ledger Aged Analysis monitoring. Management review to gain assurance that all reported housing related frauds are being captured on the spreadsheet; streamlining records relating to fraud.

Creditors –recommendations highlight the need to implement compensating controls in view of the absence of segregation of duties between system administration and the processing of transactions on the system.Compliance with corporate credit card procedures has also been highlighted.

- Main Accounting Systems - Maintain a succession plan to ensure a smooth transition if key members of the Finance team leave the Council; Update the Finance service risk register with the risk and mitigating controls in the event of possible disruption to the service through absence or vacant positions. Review and update procedures guidance. Ensure journals properly evidenced. Review and improvement closedown procedures to enable the Council to meet the challenge of tighter deadlines in future.

- Business Rates – improve procedures with respect to processing refunds, updating accounts, managing suppressed accounts. Develop further efforts to counter fraud or evasion.

  Debtors- improvement actions for Corporate Debt Group to update its term of reference and improve aspects of monitoring and debt recovery. Implementation of current and outstanding internal audit recommendations representing a medium or high priority should be monitored through the Corporate Debt Group, with particular emphasis on analysing aged outstanding debts and taking necessary action, clarifying responsibilities and accountability for sundry debt recovery in light of recent staffing and structural changes, establishing targets for collection rates and regular production of management information to facilitate performance management.

- Performance Management-ensure comprehensiveness of Service Planning process; review existing performance indicators;improved monitoring of the staff appraisal system

- Safeguarding – following through on circulation of the Children's and Adult Safeguarding Policy ; ensure Safeguarding Officers follow correct procedures for making children's referrals; provide an annual report to corporate management on safeguarding actions

  - Procurement- recommendations made to inform the development of the Procurement Hub being set up and to ensure that the Council meets fully the requirements of the Transparency Code.

  - Economic Development – with respect to the new Economic Assessment and Strategy for 2017-2020 recommendations made with

respect to clarifying responsibilities and timescales for actions and improving monitoring processes.

- Health and Safety – Health and Safety Policy to be formally approved by Members of the Council; to ensure delivery of the 2017 Management Activity programme a number of actions are required such as training sessions on the SHE system and updating Management guidance .

Cllr Ian Harvey   Roberto Tambini

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Cllr Ian Harvey   Roberto Tambini
Leader of the Council   Chief Executive

Audit Committee

17 October 2017

Title	Effectiveness of the system of Internal Audit
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	**There are no recommendations.**
Reason for Recommendation	**Not applicable.**

1. **Key issues**

1.1 'Internal auditing is 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'. (Definition of Internal Auditing - Public Sector Internal Audit Standards)

1.2 The Public Sector Internal Audit Standards (PSIAS) have been adopted by the Certified Institute of Public Financial Accounting (CIPFA) and apply to internal audit service providers working within the public sector, whether in-house, shared services or outsourced.

1.3 PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing

- Code of Ethics

- Core Principles and

- International Standards for the Professional Practice of Internal Auditing

1.4 Requirements relating to quality assurance are set out in the PSIAS, with some extracts highlighted below:

'The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.The

quality assurance and improvement programme must include both internal and external assessments'.

'External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

- *The form of external assessments.*

- *The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest'.*

1.5   The PSIAS were reviewed and updated in April 2017 with the following changes relating to the quality assurance process for Internal Audit:

In addition to the original statement that:

'The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board'

additional requirements now include that the

'Disclosure should include :

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans'.

1.6   To ensure compliance with the PSIAS, the Chief Audit Executive at Spelthorne (Internal Audit Manager, CMIIA qualified) has undertaken an annual internal self-assessment of audit activity which takes into consideration:

(a)   **Statutory requirements for Internal Audit**

(b)   **Conformance with the Public Sector Internal Audit Standards (PSIAS)**

(c)   **External Audit assessment**

(d)   **Internal Audit output / outcomes – 2016/17**

(e)   **Improvement plan – 2017/18**

1.7   Statutory requirements

1.7.1   Aims and objectives for Internal Audit are set out in the 2017/18 Service Plan, which are largely focussed on fulfilling statutory requirements and compliance with professional standards. The Audit Plan sets out proposed work in each financial year and is approved annually by the Audit Committee in March. Actual work undertaken during 2016/17 was reported to Audit Committee in September 2016 (Interim report) and June 2017 (Annual Internal Audit report).

1.8   Conformance with Public Sector Internal Audit Standards

1.8.1   The Public Sector Internal Audit Standards define the way in which the Internal Audit service should undertake its functions and also set out its independent organisational status to ensure objectivity.

1.8.2   All Internal Audit staff are mindful of the core principles that need to be applied in their roles (integrity, objectivity, confidentiality and competency) and have signed up to a Code of Ethics based on the Public Sector Internal Audit Standards.

1.8.3   The Internal Audit Manual ensures all practices are aligned to the Public Sector Internal Audit Standards.

1.9   External audit assessment

1.9.1 External Audit assess the work of Internal Audit at interim and final audit stages, and all audit reports and recommendations raised during 2016/17 were submitted to External Audit . There is also regular dialogue between Internal and External Audit during the year. Current regulations do not allow External Audit to use Internal Audit work to inform their own opinions and therefore they place a lower level of reliance on Internal Audit than previously. No issues of concern were raised by External Audit for 2016/17.

1.10   Internal Audit output / outcomes – 2016/17

1.10.1 Internal Audit provides management and Members with assurance that the Council's key risks are being properly managed, and provides advice on enhancing control where necessary. Audit Committee have highlighted their appreciation of the work of the team.

1.10.2 Based on Internal Audit work undertaken, the Internal Audit Manager provided an opinion on the Councils internal control environment, which fed into the Annual Governance Statement for 2016/17. The Annual Audit report presented to the June 2017 meeting of the Audit Committee sets out audit work undertaken during 2016/17.

1.10.3 There is regular coordination and updating of the Council's Corporate Risk Register, reporting three times a year to members of Audit Committee and Cabinet. The Audit Committee monitors significant issues raised in the Corporate Risk Register and Managers have attended the committee on some occasions to provide updates where there are outstanding risk mitigating actions.

1.10.4 The Internal Audit Manager ensured ongoing provision of the service with reduced resource during the long term sickness of the Senior Auditor, which required some reprioritising of the Internal Audit plan.

1.10.5 In addition to fulfilling its statutory functions, Internal Audit delivered the following:

1.10.6 Supported management in a number of confidential investigations during the year, often highlighting lessons to be learnt.

1.10.7 Provided a wide range of advice to managers and internal working groups aimed at improving risk management and adding value.

1.10.8   Corporate Counter Fraud - The Internal Audit Manager continued to collate quarterly corporate fraud returns for submission to Surrey County Council. Significant payback/returns have been achieved since the commencement of this DCLG initiative in January 2015 and as at 30.6.17 the cumulative fraud return is £931,000. Internal Audit were successful in securing a growth bid for additional corporate counter fraud resource for 2017/18 to target areas which are likely to generate greater financial payback and benefits for the authority (business rates and housing). The Internal Audit Manager attends the Surrey Counter Fraud Board (SCFB) which has enabled the sharing of best practice and approaches in tackling housing fraud/business rate avoidance and evasion. Surrey partners have been keen to learn about Spelthorne's impressive fraud returns in the area of business rates. The Internal Audit Manager chairs the internal corporate counter fraud working group and disseminates any best practice.

1.10.9   The team continued to maintain good working relationships with Surrey County Council Internal Audit with a number of the audit recommendations raised being well received by auditees. It has also been useful to share expertise and knowledge of Surrey County Council Auditors, adding value to such an arrangement.

1.10.10 The Senior Auditor undertook an ICT Audit of the Share Point system at Waverley Borough Council, generating some income for the authority. Positive feedback has been received from client sites with regards delivery of ICT audit reviews. The Senior Auditor has also applied knowledge and experience acquired from work undertaken at other sites to Spelthorne.

1.10.11 During 2016/17 Internal Audit have continued to encourage Managers representing the first line of defence to provide assurance that controls in their functions/services are operating effectively. Group Heads or Deputy Chief Executives have also been asked to sign off internal audit reports for their respective areas to confirm that reports are factually correct and controls are operating as described.

1.10.12 Internal Audit's performance is managed through the Council's performance management framework. Performance reviews are carried out annually, whilst service and personal targets are monitored periodically. Staff appraisals take place and there are regular opportunities for informal discussions at 1-1's.

1.10.13 Following the organisational restructure Internal Audit liaised closely with Group Heads and Managers to discuss any emerging corporate risks and ensure significant issues arising were incorporated into the 2017/18 Audit Planning process.

   1.11   Improvement Plan 2017/18

   1.11.1 The Internal Audit Charter setting out the purpose, authority and responsibility of the function together with the manual will be reviewed and updated as necessary to ensure they reflect latest revisions to Public Sector Internal Audit Standards.

1.11.2 Internal Audit to continue to liaise periodically with Group Heads and Managers to discuss emerging corporate risks and review significant issues arising. Audit time/resource can then be directed to where it is most needed and the audit plan reprioritised as necessary. To promote greater management ownership of controls and risk mitigating actions, Group Heads and Deputy Chief Executives (as appropriate) will be required to provide confirmation that audit recommendations for their respective functions have been implemented. This approach was endorsed by Management Team in June 2017.

1.11.3 To supplement informal customer feedback, measures will be taken to obtain formal customer feedback from auditees through issue of surveys, enabling any scope for improvements to the audit process to be highlighted and considered.

1.11.4 To set up periodical meetings with the Portfolio Holder (Councillor Williams) to discuss corporate risks, ensuring timing coincides with production of relevant reports.

1.11.5 The team consists of the Internal Audit Manager (0.6 FTE), Senior Auditor (FT) and some bought in time from Surrey County Council Internal Audit. Where possible efficiencies in approaches are implemented, so for example the Senior Auditor is currently applying knowledge and experience acquired from a Cyber Security Audit recently undertaken at Woking Borough Council to Spelthorne as the same audit is being carried out here. Similarly some of the audits to be assigned to the Surrey Auditor have been undertaken recently at a neighbouring authority which should enhance sharing of best practice.

1.11.6 Opportunities to sell ICT Audit expertise to other organisations (private sector as well as other local authorities/non-profit) will continue to be explored, with a view to generating further income for the authority as well as enhance staff development opportunities. The Senior Auditor continues to apply knowledge and expertise gained from the recently acquired CISA qualification (Certified Information Systems Auditor) both to Spelthorne and work undertaken with external clients.

1.11.7 From August 2017 additional counter fraud resource has been procured from Reigate and Banstead Council, focusing on housing and business rates. This contractual arrangement is being closely monitored by the Internal Audit Manager to ensure effective delivery of the specification. Financial payback and wider benefits achieved will be assessed periodically and reported to Management Team/Members. Overview and Scrutiny Committee have requested a report for the January 2018 committee on Business Rates and Avoidance of Payment as this forms part of their work programme.

2. Options analysis and proposal

2.1 Not Applicable.

3. Financial implications

3.1 Resources required (staff time) to implement improvement plan actions should be contained within existing budgets as far as possible.

4. Other considerations

4.1 Not Applicable.

5. Timetable for implementation

5.1   Improvement Plan actions to be delivered by 31 March 2018.

Background papers: Public Sector Internal Audit Standards

Appendices: There are none.

Audit Committee **17 October 2017**	SPELTHORNE MEANS BUSINESS

Title	Interim Internal Audit Report		
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	**That the Committee notes the report.**		
Reason for Recommendation	**Not Applicable.**		

1. **Key issues**

1.1 Attached at <u>Appendix 1</u> is a summary of Internal Audit work undertaken in the period April to September 2017.

1.2 Internal Audit is "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."

1.3 In addition to the reviews carried out, Internal Audit assists the organisation in achieving its objectives through other aspects of its work at Spelthorne:

(a) Advice provided to services and corporate groups on various risk and control issues

(b) Management of counter fraud initiatives

(c) Supporting corporate governance arrangements

(d) Corporate Risk Management – see separate risk report. Audit provides advice to Management Team, Corporate Risk Management Group (CRMG) and co-ordinates the Council's Corporate Risk Register.

2. **Options analysis and proposal**

2.1 There are no options.

3. **Financial implications**

3.1   Not applicable.

4.   Other considerations

4.1   Implementation of audit recommendations will assist in the reduction of risks faced by the authority and improve control procedures.

5.   Timetable for implementation

5.1   Not applicable.

Background papers: None

Appendices: Summary of Internal Audit work April –August 2017

*ASSURANCE KEY (Columns 2 & 6 of table)

Effective - Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Some Improvement Needed - A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Major Improvement Needed - Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.

Unsatisfactory - Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.

* Internal Audit Recommendations (column 5 of table):

*Reporting on the status of whether internal audit recommendations have been implemented or remain outstanding is based on confirmation from Group Heads/ Managers i.e. Internal Audit have not verified this.

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
ICT - Incident management process September 2017 (final)	Some Improvement Needed	Group Head for Commissioning and Transformation	Incident Management is defined as the capability to effectively manage unexpected disruptive events, with the objective of minimizing impact or restoring normal operations, within defined limits. In general, controls were operating satisfactorily, although the following recommendations have been made to address some weaknesses found: 1. Users to be made aware of their responsibilities and procedures to follow when reporting a security incident, ensuring prompt reporting of any security weaknesses or incidents, without any fear of recrimination. 2. All security incidents to be logged with event history, audit trail and escalation process, to ensure identification of responsibility. 3. Regular training to be offered to staff in order to avoid/minimise risk of security breaches.	Actions agreed September 2017	Some Improvement Needed

Appendix 1 to Internal Audit Interim Report (Covers April to September 2017)

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
Payroll August 2017 (revised draft)	Some Improvement Needed	Group Head for Commissioning and Transformation	Recommendations raised are currently under discussion. They relate primarily to system access controls and source documentation.	N/A	Some Improvement Needed
Main Accounting Systems May 2017 (final)	Some Improvement Needed	Deputy Chief Executive (Chief Finance Officer, Terry Collier)/Chief Accountant	1. Maintain a succession plan to ensure a smooth transition if key members of the Finance team leave the Council. 2. Update the Finance service risk register with the risk and mitigating controls in the event of possible disruption to the service through absence or vacant positions. 3. Ensure there is a comprehensive procedure manual for finance which is periodically reviewed. 4.Periodically review transactions on the audit log to identify anomalies, irregularities or inconsistencies 5.Ensure that Journals are properly authorised by an independent officer 6.Sales Ledger reconciliations to the general ledger should be evidenced 7. As a 'lessons learned exercise', review the close down process that took place for the 2015/16 accounts.	Actions agreed May 2017	Some Improvement Needed

			Identify any areas where improvements can be made for 2016/17 for delivery of the final accounts.		

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments - 'Implemented or Outstanding'	Current RAG rating
Creditors October 2017 (final)	Some Improvement Needed	Chief Accountant (once in post)	1.The need to implement compensating controls in view of the absence of segregation of duties between system administration and the processing of transactions on the system (the option to transfer system administration to ICT was not agreed). To incorporate regular review of the Integra system audit logs by an officer independent of the System Administrator/Creditor Manager. To identify an officer within the Accounting team who could deputise for the System Administrator/Creditor Manager in the event of a prolonged absence and as part of general succession planning. Ensure that an up to date Job Description and Job Specification is held for the role of System Administrator/Creditor Manager. 2. A manager independent of the Assistant Accountant and the Creditors Manager should review the	Actions agreed September 2017. Reference 2 & 3 implemented	Some Improvement Needed

		monthly reconciliation exercise between the BACS payment and the General Ledger to confirm it has been carried out accurately, completely and promptly. 3. The Chief Finance Officer to send out a reminder to all staff regarding the requirement to comply with the corporate credit card procedure. The Finance team also need to be advised that they are in a position to challenge any credit card activity which appears to be in breach of the corporate policy, which will also strengthen controls and reduce risks.	

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
Partnership Governance May 2017 (final)	Major Improvement Needed	Group Head for Commissioning and Transformation	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: 1. A responsible officer to review, update and re-issue the Partnership Governance policy. 2. A list of significant Partnerships entered into (strategic, commercial and work- related) should be identified and recorded centrally 3. Governance status questionnaires to be completed for any identified strategic partnerships. 4. Members of Overview and Scrutiny Committee to scrutinise Partnership activity if required. 5. Arrangements made to ensure that partnerships are supported by suitable contract documentation (where appropriate)	Management team report of July 2017 outlined the intention to implement all of the recommended actions. References 1,3, 4 & 5 Outstanding Reference 2 Implemented	Some Improvement Needed (Corporate Risk Register)

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
Performance Management July 2017 (final)	Major Improvement Needed	Group Head for Commissioning and Transformation	Recommendations include: 1. Re-establishing annual performance reviews of Service Plans 2. Ensuring a clear Service Plan guideline and timetable is communicated 3. Scheduling performance indicator returns into the Cabinet forward plan 4. Scope to make some existing performance indicator's more meaningful 5. Improved monitoring of the staff appraisal process	Implemented (All)	Effective (Corporate Risk Register)

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
Business Rates August 2017 (revised draft)	Some Improvement Needed	Acting Group Head for Customer Relations	1. Ratepayers to complete the relevant form when applying for a rates refund which is scanned into CIVICA. Where refunds are processed, Academy to be populated with the ratepayer's bank account details as a check to verify that the refund has been paid into the same customer bank account from which the monies were originally taken - fraud prevention/detection measure. 2. Ensure the CIVICA accounts are updated with supporting documentary evidence when awarding exemption reliefs. 3. Independent spot checks of suppressed accounts and other exceptions awarded to confirm validity needs to be evidenced. In compliance with Financial Regulations ensure that business rate write offs are approved by Cabinet Members in accordance with thresholds set. 4. Review the Anti Money Laundering policy and	Actions agreed July 2017	Some Improvement Needed

			procedures, ensuring it is accessible to all staff. Arrange Anti Money Laundering Refresher training for all appropriate staff within Customer Services.		

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review granted at time of audit * (see key)	Progress comments - 'Implemented or Outstanding'	Current RAG rating
Debtors July 2017 (final)	Major Improvement Needed	Acting Group Head for Customer Relations	Current and outstanding internal audit recommendations representing a medium or high priority are to be monitored and progressed through the Corporate Debt Group. Recommendations include: • Review the terms of reference for the Corporate Debt Group • Analyse debt balances that have been overdue over a protracted period to determine what action needs to be taken. This should include a review of Bed and Breakfast debts. • Responsibility for recovery of sundry debt should be clearly defined and documented in procedures. • Targets should be established to measure the achievement of collection rates and ratios. • Reports summarising Sundry Debtor arrears rates and collection performance should be produced to coincide and be presented at meetings of the Corporate Debt Group (CDG).	Actions agreed July 2017 and subsequent liaison with the Corporate Debt Group Reference 1 implemented	Some Improvement Needed (Corporate Risk Register)

			• Accountability for arrears rates and collection performance should be assessed by the CDG. • Supporting documentation to be maintained for invoices processed and credit note transactions		

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
Contaminated Land October 2017 (final)	Effective	Senior Environmental Health Manager	Minor suggestions made to further improve the risk assessment methodology applied.	Implemented	Effective (Corporate Risk Register)
Procurement July 2017 (final)	Major Improvement Needed	Group Head for Commissioning and Transformation	1.It was acknowledged that a plan is held for the development and implementation of a Contract and Procurement hub by December 2017, setting out the Council's strategic approach to Procurement 2.Review the Procurement strategy and prepare an accompanying action plan. 3.Full compliance with the Local Government Transparency Code is required 4.Procurement and Contract Management guidelines to be	Actions agreed July 2017. The new Procurement Officer who took up post from September will be progressing actions. Reference 2 implemented	Some Improvement Needed (Corporate Risk Register)

			updated and publicised to reflect regulatory changes of 2015. 5.Implement a programme of training for contract managers where the principles of Contract Standing Orders and Contract checklists form the core element of the learning		

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
Parking October 2017 (draft)	Major Improvement Needed	Group Head for Neighbourhood Services	• A number of previous audit recommendations remain outstanding • The Parking Services Manager and Senior Administrator to update the Civil Parking Enforcement Policy. Financial Procedures to be updated annually. • The Senior Administration Assistant to liaise with Accountancy regarding Fees and Charges at charge setting time, to ensure that all documents match up and are in line with fees published on SBC's website.	Actions discussed August 2017	Major Improvement Needed

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
Corporate Health and Safety August 2017 (final)	Some Improvement Needed	Senior Environmental Health Manager and Health and Safety Officer	• It was acknowledged that a 12 month rolling health and safety programme being introduced for 2017 (now deferred to commence from 2018) is a series of health and safety activities to be undertaken by operational managers. To ensure an inspection plan is in place which will provide structure to the new process and evidence of the Health and Safety Officers monitoring activities. *(To ensure the delivery of the annual rolling plan, Champions for Health and Safety have been recently identified in each Service area to implement the necessary actions. IOSH training is being encouraged).* 5. Health and Safety policy reviews should be formally approved by Members of the Council. *(The Health and Safety Policy has since been updated and went to Cabinet for adoption on the 21 June 2017). (Implemented)* 6. Update the Health and Safety pamphlet to include details of the Health and Safety Policy. *(Due to be updated in October 2017).* 7. Ensure the Managers Guide to Health and Safety is completed, distributed	Actions agreed July 2017	Some Improvement Needed

			and publicised before the 12 month rolling H&S program commences, to incorporate the proposed process by which self-audits should be undertaken by Managers. (*Health and Safety at Work Regulations have been circulated for Managers attention*). 8. The Health and Safety Officer will be arranging training sessions for all staff on the use of SHE.		

Audit Review & issue date of draft/final report	Assurance Level granted at time of audit * (see key)	Accountable Officer	Areas agreed by Managers for improvement arising from Internal Audit Review	Progress comments i.e. 'Implemented' or Outstanding*	Current RAG rating
Human Resources (Employment Legislation) July 2017 (final)	Some Improvement Needed	Group Head for Commissioning and Transformation	Where guidance is issued to officers by Human Resources in relation to changes in employment legislation, this needs to be consistently evidenced (documented) as a safeguard against potential employee claims.	Action discussed July 2017 but no further action is deemed necessary by the service	N/A

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Follow Up Audit Recommendations	N/A	Audit recommendations were followed up in some areas to monitor implementation. In June Management Team supported a change in approach with Managers taking increased responsibility to monitor the implementation of audit recommendations within their teams. As well as freeing up limited audit resource this should encourage greater management ownership of control procedures and risk mitigation.
Assurance template	N/A	Internal Audit have continued to encourage Managers representing the first line of defence to provide assurance that controls in their functions/services are operating effectively (by populating a template and signing off).
Audit assignments at other Councils	-	The Senior Auditor completed out two ICT Audit reviews at Woking Borough Council relating to SharePoint and Cyber Security. Best practice is being shared with Spelthorne, particularly for Cyber Security as this review is currently in being undertaken here.

Audits Commenced/ In Progress	
- Cyber Security - Grounds Maintenance - Asset Management	
Other work	
Corporate Risk management	Internal Audit continue to coordinate the Council's Corporate Risk Register which represents the Council's most significant risks and reports regularly to Audit Committee and Cabinet.

Serious and Organised Crime Audit	As Single Point of Contact for Serious and Organised Crime the Internal Audit Manager met with the local Police team in April to identify high risk areas generally and specifically for Spelthorne, which have been communicated to the Deputy Chief Executive, Terry Collier. The framework to be applied for the Serious and Organised Crime Audit was also discussed. Prior to commencing the audit, the Police representative and Internal Audit Manager will be raising general awareness of this topic at a future Manager's Briefing or corporate staff meeting.
Corporate Counter Fraud	• Collate quarterly fraud returns for submission to Surrey County Council. Significant payback/returns are continuing to be achieved from the counter fraud work and as at 30.6.17 the cumulative return for Spelthorne is £ (since the start of the Surrey Fraud Partnership in January 2015 and shared across SBC, Surrey CC and Surrey Police). • Arrangements to buy-in additional counter fraud resource to target areas which are likely to generate greater financial payback (business rates and housing) has taken effect from August 2017. Spelthorne is procuring services from Reigate and Banstead and the Internal Audit Manager has worked closely with relevant teams to scope the specification and finalise the contractual arrangements, which are being closely monitored. Financial payback in terms of fraud returns will be assessed at regular intervals. • External groups are attended with Surrey Partners including the Surrey Counter Fraud Board (SCFB). This enables the sharing of best practice and approaches in tackling housing fraud/business rate avoidance and evasion. • The Internal Audit Manager chairs the internal Fraud working group and disseminates any best practice. • A meeting was also held in June between Housing, Internal Audit and A2D to discuss scope for greater joint working in an attempt to combat tenancy fraud. • The possibility of procuring a specialist product (Trust ID) to verify the validity of identity documents is being considered as a corporate counter fraud measure. Arranged a system demonstration of Trust ID in July and liaison with relevant services would suggest there is interest. Considering suitable lead officer to progress implementation. • Internal Audit circulates details of frauds identified nationally to make staff aware of risks. • Following the March Audit Committee, a copy of the whistleblowing poster in use at Surrey County Council was requested with a view to updating Spelthorne's poster and placing on all staff noticeboards. • All audit reviews consider fraud risks and a number of specific audit tests have been undertaken to identify potential fraud. However, it remains the responsibility of management to ensure they have systems in place to prevent and detect fraud.
Advice to management	• MAT reports – governance, risk and control issues • Attendance, advice and support to a number of internal working groups including Information Governance, ICT SIG (Service Improvement Group), ISRG (Information Security Review Group) and Corporate Debt Recovery. • Project management • Significant procurements / acquisitions and investments • Rent Accounting System (project) • Policies and procedures eg PCI DSS (Payment Card Industry Data Security Standard)

	• Parking • ICT • Customer Services – Document Retention and Disposal; segregation of duties • Planning – CIL monies • General Data Protection Regulations • Accountancy – Integra system (Housing Benefit Payment Run);corporate credit cards; credit and debit cards; PayPal system; grants • Introductory Meetings with new Managers within Finance and Housing
Miscellaneous	• MAT and Audit Committee (presentation of reports) • Support to the Council's governance arrangements eg contribution to Annual Governance Statement • Service Plan for 2017/18 • Meeting with Group Heads to discuss preferred timings for 17/18 planned audits • Performance Management (Service and personal targets, 1-1's, appraisals, resource allocations for 2017/18 Audit Plan and monitoring progress in delivering Internal Audit Plan) • Preparation of audit programmes and management review of Audits carried out • Staff Management • Spelthorne Senior Auditor commissioned to carry out ICT Audits at Woking- liaison with Officers at this Council /preparation of contract/ associated management • Budget Monitoring/raising orders and invoices • Training – Audit/ ICT skills/Corporate training and briefings • Senior Auditor's successful completion of CISA qualification (Certified Information Systems Auditor). • MAT feedback meetings with the Deputy Chief Executive • General Administration • Meetings and liaison with external audit regarding interim and final audits • Attending new IT system demonstrations • Responding to Freedom of Information Requests • Participation in Borough Emergency Centre (BEC) exercise • Health and Safety tasks • Corporate staff meetings • Support with election duties • Annual leave

Audit Committee

17 October 2017

SPELTHORNE
MEANS BUSINESS

Title	Appointment of External Auditors		
Purpose of the report	To note		
Report Author	Terry Collier Chief Finance Officer		
Cabinet Member	Councillor Howard Williams	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	**To note the update on the process for appointing external auditors for a five year period commencing with the 2018/19 accounts audit.**		
Reason for Recommendation	To update the Committee on progress since the last report to Audit Committee on 26th January 2017/.		

1.   **Key issues**

1.1   Local authority external auditors used to be appointed by the Audit Commission. 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   Invitations to opt in were issued in October 2016 with a response required before 9th March 2017. For the reasons set out in the 26th January 2017 Committee report the Committee decided to opt into the PSAA arrangements under which the PSAA would nationally procure external auditors for Councils.

1.6   The length of the compulsory appointing period is the 5 consecutive financial years commencing 1 April 2018.

1.7   Virtually all councils in England, and all councils in Surrey opted into the PSAA arrangements.

1.8 The Chief Finance Officer and the Chief Executive have both been advised that provisionally Spelthorne had been allocated BDO LLP as our next auditors. BDO are one of five different audit firms allocated across the Surrey councils the others being Deloittes, Ernst Young, Grant Thornton and Moore Stephens. The only other Surrey council to be provisionally allocated BDO is Surrey Heath. We were required to respond to this initial consultation by 27th September 2017.

2. Options analysis and proposal

2.1 Officers in consultation with the Chairman and Deputy Chairman of the Committee, and the Finance Portfolio Holder have responded to the initial stage of consultation.

2.2 In our response we have sought clarification as to the number of local authority clients BDO have been allocated, as we are looking for assurance that they will have appropriate scale to provide sector technical expertise to their teams. We raise this as until recently BDO have had a limited number of council clients.

2.3 Officers have highlighted in the response to the PSAA a potential independence issue with the proposed appointment with respect to the fact that one of the Council's councillors (Cllr Forbes-Forsyth) is a senior employee with BDO. This has potential to undermine perceptions of independence of the auditors. We have asked PSAA to reflect on this before confirming the allocation of BDO.

3. Financial implications

We are awaiting to be notified by the PSAA of what the fee levels will be under the new contracts. The PSAA will initially consult on proposed fee levels.

4. Other considerations

None

5. Timetable for implementation

If in response of our representations, the PSAA decides to appoint an alternative auditor they will consult us on an alternative auditor appointment between 16 and 27 October 2017.

Background papers:
Appendices: None

Note to: Audit Committee

From: Michael Graham, Head of Corporate Governance

Dated: 17 October 2017

Review of the Code of Corporate Governance

The Code of Corporate Governance is a national standard which is published jointly between the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

The present Local Code of Corporate Governance in the Constitution is derived from the national standard. It pre-dates the most up to date published version of the Code (which was published in 2016). Our Local Code is therefore based on the guidance contained within the previous CIPFA / SOLACE Code (from 2007).

When the original Local Code was envisaged, it was suggested that it be reviewed annually. This was done for a number of years and the underlying systems of the Council appeared to be sound. Only one amendment was made to the Local Code and this was to remove a requirement on the Council to publish an Annual Report on the Scrutiny function. Councillors did not consider that to be a useful addition to the Local Code. Other supporting actions were noted over the years to update policies, processes and procedures generally.

The process of review and reporting was felt to be disproportionate to the value produced for the Council. Neither officers nor members found the annual review document to be a crucial part of the Council's overall good governance systems. In any event, a review of the major areas of governance systems occurs each year with the preparation of the annual accounts. This entails the production of the Annual Governance Statement which is drafted by the Chief Finance Officer in consultation with myself and Audit. It is signed by the Leader and Chief Executive. It is therefore the case that good governance is always at the fore-front of the Council's work and thinking.

It is now recommended that a formal review of the Local Code is appropriate given the time elapsed since the last formal review (2011) and the publication of the new CIPFA / SOLACE guidance (2016). Work has already started on this with the assistance of Committee Services. It is envisaged that a report will be available for your next Committee.

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WORK PROGRAMME 2017–2018

AUDIT COMMITTEE – 17 October 2017

Resolution Required

1.   Work Programme

1.1   This report covers the Work Programme for the current municipal year 2017-18.

1.2   The Committee's terms of reference are set out at the front of the agenda.

2.   Current Work Programme

2.1   This is the second meeting of the Committee scheduled for the municipal year 2017-18.

2.2   Meetings of this Committee have been scheduled in the Council's Diary for 2017/18 on the following dates:
- **22 March 2018**

2.3   Details of the Work Programme for the current and future meetings are as follows:

September 2017		
Corporate Risk Management (including Risk Register)	Audit Manager	Review
Annual Governance Statement 2016-17	Chief Finance Officer	Approval
External report on Audit and Statement of Accounts 2016-17	External Audit Manager	Report
Annual Review of the Effectiveness of Internal Audit 2016-17	Audit Manager	Report
Internal Audit Interim Report April-August 2017	Audit Manager	Report
Consultation on Auditor appointment from 2018-19	Chief Finance Officer	Report
Update on recruitment and retention; Procurement; Partnership Governance	Group Head, Commissioning and Transformation	Report
Update on Code of Corporate Governance	Head of Corporate Governance	Report
Committee's Work programme for 2017-2018	Audit Manager	Report

March 2018		
Corporate Risk Management (including Risk Register)	Audit Manager	Review
Anti-fraud, corruption and bribery policy	Audit Manager	Review
Committee's Work programme for 2017-2018	Audit Manager	Report
External Annual Audit Letter 2016-17	External Audit	Report
Internal Audit Annual Plan 2018-19	Audit Manager	Report
Confidential Reporting Code	Audit Manager	Review
Update on recruitment and retention	Group Head, Commissioning and Transformation	Report
Update on Procurement	Group Head, Commissioning and Transformation	Report
Update on Partnership Governance	Group Head, Commissioning and Transformation	Report
Update on Code of Corporate Governance	Head of Corporate Governance	Report

2.4   Any topics identified during consideration of the business at this meeting, will need to be included in the above Work Programme.

2.5   Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee, may be included in the Work Programme.

2.6   External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Work Programme or appear on the agenda as appropriate.

2.7   Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not implemented the recommendations of the Head of Audit Services. It is not possible to predict these circumstances but they will be dealt with as and when they arise either by incorporating into the Work Programme or appearing on the agenda as appropriate.

3.   Resolution

The Committee is asked to consider and approve the Work Programme as submitted and/or amended at the meeting.

Contact: Punita Talwar, Internal Audit Manager (01784) 446454.

Report Author: Dan Skerten, Committee Manager (01784) 446240