

Public Agenda



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Date: 29 June 2016

Notice of meeting

Audit Committee

Date: Thursday, 7 July 2016

Time: 7.30 pm

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

To the members of the Audit Committee

Councillors:

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

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

H.R.D. Williams

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose

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

Core Functions

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

AGENDA

Page nos.

- 1. Apologies**
To receive any apologies for absence.
- 2. Minutes** **5 - 6**
To confirm the minutes of the meeting held on 19 May 2016.
- 3. Disclosures of Interest**
To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members.
- 4. Corporate Risk Management** **7 - 28**
To receive a report from the Deputy Chief Executive (copy attached).
- 5. Internal Audit Annual Report 2015/16** **29 - 42**
To receive a report from the Internal Audit Manager (copy attached).
- 6. Committee Work Programme** **43 - 44**
To consider and approve the work programme for the current municipal year 2016/17.

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**Minutes of the Audit Committee
19 May 2016**

Present:

Councillor M.J. Madams (Chairman)

Councillor D. Patel (Vice-Chairman)

Councillors:

S.A. Dunn

D. Saliagopoulos

H.R.D. Williams

T.J.M. Evans

H.A. Thomson

124/16 Appointment of Chairman

It was proposed by Councillor H.R. Williams and seconded by Councillor H.A. Thomson and:

Resolved that Councillor M.J. Madams be appointed Chairman of the Audit Committee for the forthcoming Municipal Year 2016/2017.

125/16 Minutes

The minutes of the meeting held on 24 March 2016 were approved as a correct record.

126/16 Appointment of Vice-Chairman

It was proposed by Councillor M.J. Madams and seconded by Councillor T. Evans and:

Resolved that Councillor D. Patel be appointed Vice-Chairman of the Audit Committee for the forthcoming Municipal Year 2016/2017.

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Audit Committee

07 July 2016



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	Value for money Council		
Cabinet Values	Accountability		
Recommendations	That the Committee notes the report.		

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 Significant issues to report are:
 - (a) **Business Continuity and Emergency Planning** – Whilst the Group Head for Commissioning and Transformation meets regularly with Applied Resilience to consider satisfactory delivery of programmes, there is scope for monitoring processes to assess actual performance against specific targets and expected outcomes, which would provide more meaningful analysis.
 - (b) **ICT Strategy** - The Head of ICT has prepared a formal strategy, to be passed to MAT for approval. This should be consistent with the core objectives of the Council, ensuring effective use of resources and service delivery.
 - (c) **Failure in Service Delivery**- There continues to be prolonged staff vacancies in a number of areas despite incentives offered, in particular Housing, Environmental Health, Building Control and Planning. This effects the ability to deliver a good quality Service as well as having a consequential negative effect on other Services. The former Head of Human Resources has been commissioned to carry out specific research on recruitment and retention practices elsewhere and propose a way forward for Spelthorne Management Team to consider.

- (d) **Housing** – There are continued pressures on the Housing Service as a result of many factors, e.g. London Boroughs increased use of Spelthorne properties, limitations of the Local Housing Allowance, and A2D rents unaffordable, insufficient affordable properties being built and the Benefit Cap. A model for the strategic way forward in delivering the Housing function has been drafted and is to be formally agreed.
- (e) **Procurement - Leisure Centre Contract** – As the current Leisure Centre contract ceases in 2021, options for Leisure Centre provision from 2021 need to be reviewed. A dedicated project team should be set up promptly to decide project objectives, allocation of roles and responsibilities, and timetables. Project progress needs to be monitored against the plan to ensure satisfactory delivery of outcomes to time and within budget.
- (f) **Debt Recovery-** The Corporate Debt group continue to encourage the strengthening of recovery processes. Debt recovery training for relevant staff has been provided, with a view to improving skills and enhancing recovery rates. Targets should be set for keeping aged debt to a minimum, as a recent internal audit review identified that the level of aged debt was high. The Deputy Chief Executive (Terry Collier), in his capacity as S151 Officer, will be reviewing a monthly status report on 'at risk' debts i.e. higher value aged debts over 6 months old in order to confirm that suitable recovery action has been taken, and where attempts have been exhausted, ensuring write- off action is pursued.

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.

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.

5. Timetable for implementation

- 5.1 The Corporate Risk Register shows officers responsible for progressing actions, together with 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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SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

APPENDIX 1**CORPORATE RISK REGISTER**

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

Reviewed June 2016

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
Page 11	1. Health and Safety failing resulting in death or serious injury to staff /public and legal action against the Council	4	Policies and SHE (Safety Health and Environment) system .The Health and Safety, Insurance and Risk Administrator manages the SHE Database, overseen by the Health and Safety, Insurance and Risk Manager. Managers have a legal requirement to conduct regular risk assessments. Induction training.	<i>1i. Annual reminders should be issued to encourage all employees to complete/update health and safety risk assessments (DSE, Homeworking, and Service).</i> <i>1ii. The SHE system could be used more effectively to ensure that automatic reminders are set for completion and renewal of risk assessments with automated alerts sent for non-completion. 1iii. Annual checklist and instructions for Managers being prepared.</i> <i>1iv. Whilst the risks associated with not implementing a robust Inspection regime across the authority have been accepted by Management Team, this risk/issue should be subject to periodical review.</i> <i>iv. Inspections should be consistently documented.</i>	MAT/ All Group Heads HSIRM*	31 August 2016 *R Requires Monitoring	The absence of Inspections in certain areas and the associated risks have been accepted by Management Team. The Corporate Risk Management Group may provide a suitable forum to periodically review progress for actions relating to Health and Safety.
	2. Uncertainty surrounding the financial /economic/other consequences of contaminated land. Legal action against the Council.	4	Legal duty to inspect land and prioritise action. Documented records of all site investigations and assessments held. A separate risk assessment is held which is reviewed regularly. Reports periodically issued to Management Team and Cabinet.	<i>The Contaminated Land Strategy to be finalised and approved by Cabinet.</i>	DCX (LO)/SEHM*	30 September 2016 *R Requires Monitoring	Contaminated land risk assessment next due for review in November 2016.

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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	3. Disaster- major in borough, e.g. flooding, resulting in significant strain on council services (eg homelessness).	4	Corporate Emergency Plan updated January 2016. Multi- agency flood plan completed December 2015. Function being delivered via the Mutual Applied Resilience Service. Membership of Local Resilience Forum (LRF). Regular testing of Emergency Assistance Centre plan. Borough Emergency Centre Plans.Suggested improvements to the Business Emergency Centre (BEC) partially implemented due to plans to vacate Knowle Green. Incident management training and exercising.The two DCX's have attended Multi-Agency Gold Command Courses. Emergency Response requirements remain the responsibility of the authority.Contract agreement in place with Applied Resilience, with increased resilience and support for Emergency Planning.	3. <i>Monitoring the agreement with Applied Resilience should incorporate specific targets and expected outcomes in order to measure actual performance. Monitoring needs to be meaningful and clearly evidenced.</i>	CX (RT)/ GH C & T*	31 August 2016 (R*). Requires Monitoring	Whilst the Group Head for Commissioning and Transformation meets regularly with Applied Resilience, there is scope to improve the ways in which the agreement is monitored for Emergency Planning.
Page 12	4. Failure to manage corporate and service performance / failure to meet Council objectives and targets (Performance Management)	3	The Corporate Plan should set out targets for the authority which should be monitored by Members and Management Team. Service performance should be monitored by Management Team. Individual performance is monitored through the appraisal process. Flagship project performance is reported to Management Team and Members. Performance Management Working Group has been established to improve monitoring arrangements. Updates have been provided to Cabinet and the Audit Committee.	<i>Corporate Plan and priorities have been reviewed as a result of the new Council. The impact on ongoing projects, resources and Service Planning will need to be assessed.</i>	MAT / DCX LO	Ongoing Monitoring	Corporate Plan going to July's Cabinet and Council.
	5. Failure to align service objectives to corporate aims and priorities / Failure to deliver services effectively due to poor service planning	3	The Corporate Planning process should set out a clear vision for the authority and specific targets. Some services have statutory responsibilities. Individual Service Plans should be derived from the Council's Corporate Plan and statutory/other responsibilities. Plans incorporate resources, risks, workforce, significant projects and performance indicators.	<i>Service Plans are due to be prepared for 2016/17, taking into account the new Corporate Plan and priorities. They will be made available on Spelnet, enabling other services to assess the likely impact.</i>	Group Heads/ MAT	30 April 2016 *O Requires Monitoring	DCX (LO) liaising with the Leader. 21/6/16 - Awaiting update from the DCX (LO)

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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
Page 13	6. Failure of projects due to poor project management arrangements. Lack of resource and expertise to deliver and coordinate	3	1. Project management arrangements are in place including process for project initiation, consideration of resources available to deliver, identification of project risks and progress reporting processes. Corporate Project Register. Collation of corporate project register by Service	1i. <i>Many larger projects are asset related . Procurement and Contract Management function being established providing central resource and expertise .</i>	MAT /GH C & T	Ongoing Monitoring	Revised structure promotes greater links between Planning, Asset Management and Economic Development under the lead of the Group Head for Regeneration and Growth.
				1ii <i>Management team to consider limited capacity and revenue implications prior to approving additional / new projects.</i> 1iii. <i>The Projects Assurance Officer to promote the importance of following correct procurement processes in delivering projects.</i>	MAT	Ongoing monitoring	Approx. 35 projects are currently being tracked through the Project Office and the TaSF programme. The Project Assurance Officer will be focussing on procurement in the projects process during the coming months. 21/6/16 - Awaiting update from the Projects Team.
			2. Staines upon Thames - The Head of Planning and Housing strategy has been appointed on a full time secondment as the Staines upon Thames regeneration manager with support from consultants. 5 work streams have been fully defined and documented. A conditional agreement was signed with the preferred developer for the Bridge Street site on 31 July 2015. The money the Council will receive is less than initially projected.	2. <i>A number of procedural stages are being progressed associated with the sale of the Bridge Street site.</i>	GH R & G *	31st August 2016 *R Requires monitoring	Planning application for Bridge Street considered at 9th March Planning Committee. The money from the sale of the Bridge Street site should be forthcoming mid/end July 2016

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Page 14			3. Towards a Sustainable Future - The Head of Customer Services has mapped out a programme for this challenging initiative. This identifies roles, responsibilities, key deadlines, financial implications and risks. There are three work streams/mini programmes falling under the overall TaSF programme. Mapping of the individual projects under the three work streams. MAT have assigned resources to the main areas of the TaSF programme, and projects are underway. The TaSF Programme Support Officer coordinates all three main work streams under the TaSF programme, reporting to the Group Head for Commissioning and Transformation who currently oversees the direction of the programme. The Programme Brief has been approved by Cabinet and Overview and Scrutiny Committee. Review completed of document retention and electronic data management systems (see section 7).	<i>3. High level overview of the three work streams has been identified to ensure cohesion and coordination.</i>	MAT	31 August 2016 * R Requires monitoring	A continued decrease in the the number of TaSF projects with a green RAG rating has been reported through dashboards mainly due to external factors causing delays. Close monitoring of TaSF projects and timeframes is ongoing to manage risks and overall impact of the delays on the programme as a whole. TaSF structural review ongoing with the Group Head appointments completed in April 2016 and the deputies to be appointed by July 2016.
	7. Security / data breaches, resulting in system failure, Information Commissioner fines and reputational damage.	3	Back up and continuity arrangements managed by ICT and tested by Service Heads. ICT security policies. Personal Commitment statement required from staff. ICT security group assess ongoing risks. ICT Disaster Recovery test conducted in March 2015 and due again by the end of 2016. Information Governance Group. Head of Corporate Governance is the Senior Information Risk Owner (SIRO). Removal of the Microsoft Outlook 'Auto-Complete' feature recommended.	<i>Information Governance Group to pursue action plan to ensure information assets are identified and managed.</i>	Head of CG *	30 September 2016 R* Requires Monitoring	The Information Governance Group now meet quarterly to discuss the necessary steps to be taken to address outstanding actions and are making some progress as follows: MAT and Cabinet built into 16-17 budget growth for an Information Governance Officer resource. To set up functionality within Egress which can prevent emails being sent to incorrect recipients or 3rd parties. Clear desk policy to be discussed with all Group Heads.

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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	7. See above.			<i>The Council's project team is currently considering the document retention policy and alternative electronic document management systems which will help to strengthen information security.</i>	HoCS*/ MAT	31 August 2016 R* Requires Monitoring	The authority has decided on its approach to document management and implemented the first phase. The Idox document management system has been implemented for Environmental Health, Planning and Building Control with training delivered. Analysis work underway to identify requirements to expand Civica Contact Manager additional modules to accommodate other service areas (HR, Housing, Leisure). For internal Documents the plan is to upgrade and rebrand Sharepoint. Target date for completion of remaining EDMS systems is July 2017.
Page 15	8. Failure to meet the minimum security requirements of the Government Code of Connection resulting in termination of connection to any other government sites/data; uncertainty over direction of ICT within the authority.	3	A review group assesses compliance with the Government Code of Connection (COCO). Firewall installed, laptops encrypted, memory sticks banned until they are 'white-listed' as known devices on the network, and universal serial bus (USB) ports locked down. Dual factor authentication on all laptops. All Baseline Personnel Security Standard checks completed. Annual health check and security penetration test completed. CoCo re-accreditation achieved in January 2016. The Cabinet Office has increased security requirements due to the implementation of the Public Service Network (PSN). Successful certification of Public Service Network (PSN) compliance gained on 16 January 2016 which is valid until 15 January 2017.	<i>8. Production, approval and implementation of an ICT Strategy consistent with the core objectives of the Council, ensuring effective and efficient use of resources and service delivery.</i>	Head of ICT *	31 August 2016 O* Requires monitoring	Mimecast e-mail filtering software installed June 2016 to help reduce infected and problematic e-mails entering the Council's network. Workshops attended to facilitate drawing up an ICT strategy. The Head of ICT has prepared a formal strategy, to be passed to MAT for consideration and approval.

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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
Page 16	9. Lack of business continuity planning to cover loss of building, equipment, ICT or staff - leading to loss or disruption to services	3	Business Continuity (BC) Policy .The BC Forum oversees progress of BC planning. All Services should have up to date and tested BC Plans, but this is not the case currently. 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. Live loss and denial of access exercise for Knowle Green took place Sept 2013. Improvements made to telephony resilience. Contract agreement in place with Applied Resilience from September 2015 , with increased resilience and support for Business Continuity Planning (full time officer assigned). Updated staff contacts list.	9i. <i>Guidance to Services to update and test their Business Continuity plans is a priority under the new service delivery model.</i> 9ii. <i>Monitoring the agreement with Applied Resilience should incorporate specific targets and expected outcomes in order to measure actual performance. Monitoring needs to be meaningful and clearly evidenced.</i> 9iii. <i>Business Continuity Policy to be updated.</i> 9iv. <i>Corporate Business Continuity Plan is being updated.</i>	Group Heads/MAT/ Group Head C & T*	31 August 2016 (R*). Requires Monitoring	Whilst the Group Head for Commissioning and Transformation meets regularly with Applied Resilience, there is scope to improve the ways in which the contract agreement is monitored for Business Continuity Planning. Applied resilience have worked closely with Services to update business impact assessments and will provide corporate steer and guidance on preparing business continuity plans and conducting testing exercises.
	10. Failure in service delivery due to over reliance on individuals	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.	10i. <i>MAT have reviewed structures as part of the budget saving exercise, and consideration is being given to resilience and succession planning arrangements.</i> 10ii. <i>Human Resources to arrange staff development and training plans for the Group Heads and Deputy Group Heads.</i>	Group Heads/ MAT	31 August 2016 (R*). Requires Monitoring	Human Resources will be considering training and development needs for the Group Heads and Deputy Group Head appointments.

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Page 17	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	Short term reductions in capacity are accommodated by prioritisation and reallocating work amongst staff. Longer term impacts and changes to demand may be more difficult to address. Service review may be required to help match resources to the level of work. Resources need to be diverted to implementing new systems or introduce new ways of working. If resources cannot be enhanced, services will have to prioritise work to resources available. Staff have access to counselling via Occupational Health. Posts advertised with Surrey Jobs which also feeds into a wider network of job sites. Specialist websites and publications are also used as necessary to advertise posts. Human Resources have highlighted posts where recruitment has been challenging. Recruitment and Retention Policies requested from other authorities. Annual report by Human Resources issued to Management Team summarising staff recruitment and turnover.	11i. <i>Members and Management Team will need to keep resourcing levels under review, particularly the impact of new projects and any statutory obligations on service/project delivery.</i> 11ii. <i>Human Resources to monitor the effectiveness of proposed changes to recruitment and selection methods, in collaboration with Services.</i> 11iii. <i>The former Head of Human Resources has been commissioned to carry out specific research on recruitment and retention practices elsewhere and produce a report for Spelthorne to consider, with a view to sharing best practice.</i>	Group Heads/ MAT/HRM	31 August 2016 * R Requires monitoring	MAT maintaining under review options. Towards a Sustainable Future (TSF) should help to address service levels/requirements and capacity issues. Ongoing recruitment problems in a number of areas despite incentives offered (recruitment and retention payments), for example, Housing, Environmental Health, Building Control and Planning. This ultimately impairs Service delivery as well as having a consequential negative effect on other Services. Already target students and university graduates for certain roles and further consideration is being given to where/how posts are advertised. Regular dialogue between Group Heads and Human Resources/MAT regarding concerns in this area. MAT have commissioned report on areas under specific pressure and recommendations as to options.
	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.	3	Employment arrangements in place include recruitment and selection, pay and rewards, training and development. Change Management process, communications, performance management systems, appraisals, one to one's, team meetings, performance clinics, staff meetings. Stress audit conducted in Housing. The Human Resources Manager advises MAT as appropriate. Planned TaSF Senior management restructure taken place in 2016.	12i. <i>Management Team to keep under review, particularly in light of 'Towards a Sustainable Future'.</i>	MAT	31 August 2016 * R Requires monitoring	MAT maintaining under review. There is an ongoing risk of low morale and increased turnover during current times of organisational change which MAT acknowledge. The recruitment process to the new Group Head positions has been completed and the Deputy Group Head appointments will commence shortly, with some interviews taking place week commencing 4th July.
				12iii. <i>A peer review took place January 2014 and an action plan has been developed.</i>	DCX (LO)	31 August 2016 R* Requires Monitoring	An action plan has been produced by Management Team in consultation with the Leader, which is being progressed. 21.6.16 - Awaiting update from the DCX (LO)

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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	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.		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.	<i>The Council's Code of Corporate Governance is to be reviewed in 2016/17</i>	MAT	31 August 2016 R* Requires Monitoring	The review of the code of Corporate Governance is currently outstanding.
Page 18	14i. Procurement - Weak governance arrangements and lack of transparency in procurement decisions. Contractual disputes and claims through poor specifications. Weak contract management resulting in Contractors/partners failing to deliver expected outcomes. Reputational damage and costly challenge by other companies. Financial loss/poor vfm as a result of poor contract management. Reliance on Legal for support on tendering processes/appointment of Contractors.	3	Contract Standing Orders set out tendering requirements. Officer Code of Conduct sets out requirement for declaration of interests. Contract guidelines with compliance checklist. Legal team provide support on contract management and major procurements. Officers reported to Overview and Scrutiny Committee in January 2016 on the performance of significant contracts. Contract management training held in 2012 and 2013. Specification writing training taken place. Procurement training In October 2014. Development of the e-procurement system continues and further contracts continue to be sourced with this solution which offers significant time savings and efficiencies for staff in Legal. Procurement Board meet regularly.	<i>1i. Procurement Board monitoring implications of the new UK Public Contract Regulations 2015 and implementation of the Local Government Transparency Code requirements. Guidance Notes to be issued in due course.</i> <i>1ii. Procurement and Contract Management function to be established, under the lead of Group Head for Commissioning and Transformation.</i> <i>1iii. MAT will monitor the appointment of consultants and contractors for the Council's projects including Town Centre, Knowle Green and other initiatives to ensure full compliance with governance requirements.</i>	MAT DCX (TC)/ PS/Group Head C & T*	31 August 2016 *R Requires Monitoring	1i. The Principal Solicitor produced guidance notes on the public sector and EU procurement regulations changes, (although these were not circulated) and has advised most staff dealing with procurement of the new regulations.The Principal Solicitor is currently preparing workflow documents to help officers navigate contract standing orders and the procurement process, for circulation later in the year. 1iii. MAT are monitoring.

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	14ii. Major Contracts - Lack of forward planning in preparation for the expiry of existing Leisure Centre arrangements in 2021, resulting in delays in Service provision.		Leisure centre Contract ends 2021. A paper entitled "Leisure Centre Needs Analysis" was submitted to MAT in July 2014. This recommended the need for a feasibility study to refine options going forward. A lead time of seven years was quoted. Member involvement in considering alternative options.	<i>2. Regarding post 2021 Leisure Centre provision, urgent action to be taken to set up a dedicated project team and redefine project objectives, roles, responsibilities and timetables. Project progress to be monitored against plan to ensure timely progress.</i>	Joint Group Heads CW *	31 August 2016 *O Requires Monitoring	This project has initially been led by Asset Management and although some progress has been made, there does not appear to be a dedicated and active project team in place to address post 2021 Leisure Centre provision. The recent SBC management re-organisation may have contributed to delays in progressing this project. A meeting was held on 20th June to discuss the next steps. High level concept plans have now been received from Wilmot Dixon. A decision is essential to determine who will lead this Project going forward.
Page 19	15.1 Pressures on Housing Service as a result of economic climate and welfare reforms including changes in government policy to restrict housing benefit. Introduction of Universal Credit may lead to staff retention issues. Loss of Housing Benefit subsidy and uncertainty over recovery of outstanding debt. London Boroughs increased use of Spelthorne properties. Local Housing Allowance limited. A2D rents unaffordable. Insufficient affordable properties being built. Benefit Cap may effect up to 250 families.	3	Group Heads/ MAT/Members are aware of risks. Working groups established to deal with changes. The authority faces some challenges in managing the loss of £500k per annum in subsidy (recovery of Housing Benefit overpayments) and the roll out of Universal Credit is now projected for 2021. Therefore the loss of subsidy will be spread over a longer period of time as completion of Universal Credit roll out slips. Accountancy have factored into outline budget projections. There is currently £2.5m of outstanding Housing Benefit overpayment debt in the Council's accounts. This is being recovered, albeit repayments are often small due to Housing Benefit regulations. Cabinet has received updates on Welfare Reforms. This includes a suggested approach to the use of discretionary housing payments. Strategic Housing Group. Officers and A2D have been working with families affected by the benefit cap. Housing Company being set up. Close working with private landlords. New Landlord Guarantee scheme.	<i>15.1 i. The Corporate Debt Group have considered further measures to address the increasing level of Housing Benefit overpayments and Bed and Breakfast arrears, with the aim of improving recovery of these debts .</i> <i>15.1.ii. A model for the strategic way forward in delivering the Housing function has been drafted and is to be discussed/agreed.</i>	MAT / Joint Group Heads CW *	31 Aug 2016 * R Requires Monitoring	There is a continual increase (although has eased off slightly in the last few months) of households in bed and breakfast (with the added issue of overspend on the bed and breakfast budget) and the lack of resources to discharge duty. A number of options are now being pursued and MAT and the Leader are supportive of this approach. Cabinet support to be requested. Projects commenced to ensure strategies are followed. A model for the strategic way forward has been drafted. The debt recovery training for relevant staff has been completed. The Department for Work and Pensions (DWP) have advised further on the number of cases that may be affected by the new benefit cap rules and the prediction is 215 claims (up to 500 was originally anticipated). Universal Credit full roll out is now projected for 2021 although this may still change.

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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	16. Poor partnership governance arrangements	3	Partnership governance policy. Insurance arrangements in place	16i. <i>The Partnership Governance policy is due for review.</i> 16ii. <i>A list of significant Partnerships entered into should be identified and recorded centrally.</i>	MAT	31 August 2016 * R Requires monitoring	The latest policy was drawn up in August 2009 and is therefore in need of review.
	17. 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.	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners. Recovery and inspection of business properties is being strengthened to maximise collection/minimise losses for the Council. DCLG Fraud funding for dealing with Business Rate avoidance and evasion cases during 2015/16. Spelthorne are a member of the Surrey Business Rates pool for 2015-16 enabling enhanced monitoring and data sharing with the other four participating councils. Business Rates Subgroup formed with agreed terms of reference focusing on Group Training, specialist advice, cross boundary prosecutions and legal advice.	17i. <i>Impact of new Business Rate arrangements on Council finances is under ongoing review.</i> 17ii. <i>Business Rates project to be pursued.</i>	DCX (TC)/Group Head - F & CR *	31 August 2016 * R Requires monitoring	A service level project has been initiated to focus on 3 areas of business rates: Increase tax base Reduce Business Rate avoidance Increase admin grant A growth bid has been submitted and accepted by Management team to progress this project through 2016/17.
			Economic Development Strategy is reviewed every three years. Communication of the vision, proposed actions and measures of success is taking place. Regular reporting to the Cabinet Member with responsibility for Economic Development to advise on progress with action plans and delivery of the strategy. LGA funded adviser produced 3 reports on Key Account Management, Inward Investment and Visitor Numbers, with a number of recommendations having resourcing implications. This was considered as part of the budget process and a growth bid to the value of £100.9k has been approved.	17iii. <i>Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review.</i> 17iv. <i>The 3 year economic assessment & strategy is currently being updated, due for Cabinet submission/approval by December 2016.</i>	DCX (TC) * CS & EDO*	31 October 2016* Requires monitoring	The 3 year economic assessment & strategy is currently being refreshed and will be available to seek Cabinet approval in December 2016. A Business Improvement District is under development for Staines-upon-Thames. Welcome packs for new businesses as well as property agents have been developed. A CRM is being developed to track Spelthorne's top 20 businesses with regards to key account management. Approval has now been received from SCC with regards to 4 improvement projects at shopping parades, with SCC funding £100k and SBC match funding, totalling £200k. An advisor was appointed in November 2015 to support inward investment and Key Account Management. The contract runs until 30th September 2016.

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	18. Failure to comply with employment legislation or statutory duty leading to possible compensation (unlimited), damage to reputation, Legal costs and significant officer time.	3	Human Resources (HR) identify changes in employment legislation, provide guidance and training to ensure compliance. Equality and Diversity working group and training provided to all staff.		MAT/ Group Heads/ HR Manager *	Ongoing monitoring	Professional HR support will continue to be available.
Page 21	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.	3	Council has statutory responsibility for safeguarding children and Adults. Safeguarding policies and procedures. Staff and Member training. All referrals to Surrey County Council should be reported to a nominated Spelthorne Officer. Regular meetings held with Surrey County Council and consultation with the Surrey Safeguarding Children's Board (SSCB). Annual Section 11 audit. The Children's Safeguarding and Adults at Risk Strategies were approved by Cabinet in October 2013. The Children's policy is currently being updated. Independent Living Managers have reviewed any changes required to Adults at Risk policies and processes.	19i. The Leisure Services Manager to review changes required to the Children's Safeguarding policy, particularly with regards to child sexual exploitation. 19ii. Further liaison with Surrey County Council is necessary in order to strengthen the feedback process relating to children's referrals. 19iii. To seek clarification over responsibility for dealing with safeguarding issues for cross border referrals (where families located out of Surrey). 19iv. Staff training needs to be assessed and revised policies/processes publicised in due course.	DCX (TC)/LSM/ILM/ Joint Group Heads - CW *	31 August 2016 * R Requires monitoring	19i. There have been no updates made to the policy with relation to Child Sexual Exploitation (CSE), due to the Surrey wide policy just being released. Relevant officers have however been on CSE conferences/information sessions and MAEC (missing and exploited children) meetings. 19ii. Child referrals were highlighted by the Leisure Services Manager at the NE Safeguarding Meeting as well as the local Spelthorne Youth Network meeting. Surrey are currently trialling a new way of working in their call centre, which should help. 19iii. Instructed to escalate any cross border referrals/ issues in the future to the senior safeguarding managers. 19iv. A standard policy for Safeguarding adults and children has recently been written, intended for use by all Boroughs and Districts. Spelthorne's policy will be updated in line with this. The Leisure Services Manager is liaising with Human Resources to ensure an accurate list is held of staff requiring training and DBS checks.

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
Orange	20. Service delivery and planning difficulties due to reduction in Revenue Support Grant and therefore reduction in spending	3	Long term strategic/financial planning. Corporate Plan / priorities reviewed. Member engagement 'Towards a Sustainable Future' programme identified potential savings and additional sources of income.	<i>Towards a sustainable future programme to be delivered</i>	MAT	31 August 2016 * O Requires ongoing monitoring	TaSF programme to be progressed, including Structural Review, Knowle Green relocation and Income Generation (use of Assets).
				<i>Identify alternative service delivery models and prepare business cases. Assess the impact on in-house Services.</i>	Group Heads	31 August 2016 *R Requires monitoring	Some business cases for alternative service delivery models have been submitted, whilst others (Environmental Health) were put on hold for legitimate reasons, but are being pursued.
Green	21. Reduction in service delivery and possible loss of internal control as a result of savings required to balance budget	3	Management is responsible for maintaining key services and internal controls regardless of resource levels. Any savings offered will be accompanied with summary of any associated risks.		Group Heads/ MAT	Ongoing monitoring	

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	22. Poor return on long term investments /investments insecure in current climate	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 Evans are involved in key decisions. Use a range of credit ratings and criteria recommended by Arlingclose. Regular monitoring ,reporting of investment portfolio and returns achieved.		DCX (TC) *	Ongoing monitoring	As per the outturn Treasury management report average rate of return achieved on core pooled investments of £9.5m was a healthy 4.89% and capital growth as at end of the financial year was £0.7m. The team continues to explore options for diversifying the portfolio.
Page 23	23. Failure to collect/recover income due, resulting in losses to the authority.	3	Corporate Debt Officer Group meet periodically. Corporate Recovery Policy. Recovery policies also exist for specific areas such as Council Tax, NNDR, Sundry Debts etc. Debt collection statistics produced and analysed. Budget Monitoring identifies any shortfall in income. Accountancy report to Management Team and Members on significant variances and comparisons with previous year. The Corporate Debt Group, chaired by the Deputy Chief Executive (Terry Collier) continue to meet monthly and a wider representation from Services is being encouraged. The Deputy Chief Executive in his capacity as Section 151 Officer is taking the lead in coordinating outstanding actions with the Corporate Debt Group such as strengthening recovery procedures for sundry debts to reflect Spelthorne's recovery policy wherever possible and practical, with less intervention from Services; perusal of older debts by the Recovery team and monitoring by Management. Arrears figures at the Corporate Debt Group are reviewed, together with discussions about cost effectiveness of pursuing different types of debts.	<i>23i. Recovery arrangements for significant debts/other income streams and amounts outstanding continue to be periodically monitored through the Corporate Debt group.</i> <i>23ii. Management Team (MAT) should co-ordinate action to tackle aged debt that is unlikely to be recovered. Going forward, targets should be set for keeping aged debt to a minimum.</i> <i>23iii The DCX, Terry Collier, as S151 Officer, to receive and review a monthly status report on 'at risk' debts i.e. higher value aged debts over 6 months old in order to confirm that suitable recovery action has been taken, and where exhausted, ensuring write-off action is pursued.</i>	MAT/ DCX, TC/GH F&CR/ Group Heads	31 Aug 2016 * R Requires Monitoring	Corporate Debt Group have encouraged strengthening of processes. Bed and Breakfast debts are now being monitored more robustly. Debt recovery training for relevant staff has been provided, with a view to improving skills and enhancing recovery rates. The recent internal audit review of Sundry Debts highlighted that the level of aged debt is too high and Managers have not always taken necessary write-off action. Report has gone to Management Team who are reinforcing need for improvement actions.

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	24. Increased risk of fraud / theft due to economic climate resulting in financial losses and damage to reputation of authority. Housing tenancy fraud reduces availability of social housing.	3	Corporate Policies including Confidential Reporting Code (Whistle blowing), Anti-fraud, Bribery and Corruption Strategy, Proceeds of Crime and Anti-Money Laundering, Code of Conduct including rules relating to gifts and hospitality, and declaration of interest. Staff are reminded about governance policies during appraisal process. Refresher fraud awareness training for staff and Members is due. Implications of Bribery Act (July 2010) considered by services. Various policies and procedures such as Financial Regulations and Contract Standing Orders, management checks, segregation of duties, reconciliation processes for financial systems and IT Security measures. Spelthorne have received £60k of the DCLG fraud fund (up to June 2016), used to assist in the detection and prevention of non benefit fraud, focusing on housing, (homeless and housing applications, tenancy fraud, right to buy applications) business rates (evasion and avoidance), and Corporate/miscellaneous frauds. Agreed targets. Audit Services are coordinating progress in terms of payback and submitting quarterly fraud returns to Surrey CC. Data Intelligence systems such as Trace IQ are also being used to verify details and investigate fraud. The Internal Audit	24i. To ensure that the DCLG fraud fund is used appropriately and that each initiative is receiving a payback. 24ii. Prepare business case for a Corporate Fraud resource/function. 24iii. To arrange Fraud and anti-bribery and corruption training for all staff and Members (following 24ii)	Group Heads/ MAT/IAM	30 September 2016 *RRequires monitoring	24i. 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. As at 31st March 2016 the cumulative payback//return in tackling non-benefit fraud equates to £399k. This is well in excess of the original £60K DCLG fraud funding allocated to Spelthorne. The Audit and Performance Manager at Surrey County Council (Simon White) presented a paper to Surrey Treasurers in April highlighting the benefits arising from this fraud initiative. 24ii. The Internal Audit Manager has begun liaison with Fraud Officers at other local authorities which will feed into the business case.

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
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SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER
2015/16 QUARTER 1

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
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***KEY TO RAG RATING**

	Actions outstanding
	Partially actioned
	Completed/Ongoing monitoring

***KEY TO OFFICERS**

MAT - Management Team
 GH F & CR - Group Head - Finance and Customer Relations, Linda Norman
 Head of CG – Head of Corporate Governance, Michael Graham
 Head of ICT – Helen Dunn
 DCX (TC) – Terry Collier
 HSIRM - Health and Safety, Insurance and Risk Manager – Stuart Mann
 GH C & T - Group Head - Commissioning and Transformation, Sandy Muirhead

***KEY TO TARGET DATES**

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

GH R & G - Group Head - Regeneration and Growth, Heather Morgan
 Head of AM & OS – Head of Asset Management and Office Services, Dave Phillips
 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

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	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			LSM - Leisure Services Manager, Lisa Stonehouse RRO – Risk and Resilience Officer, Nick Moon CS & EDO – Community Safety and Economic Development Officer, Keith McGroary IAM - Internal Audit Manager, Punita Talwar			

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Audit Committee

7 July 2016

Title	Internal Audit Annual Report 2015/16		
Purpose of the report	To note		
Report Author	Punita Talwar– Internal Audit Manager		
Cabinet Member	Councillor Howard Williams	Confidential	No
Corporate Priority	Value for money Council		
Cabinet Values	Accountability		
Recommendations	The Audit Committee notes the Internal Audit Annual Report		

1. Key issues

- 1.1 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.*”
- 1.2 Attached at Appendix 1 is a summary of Internal Audit reviews carried out in 2015/16 and details of other work undertaken by the team. Reports were issued during the year to senior managers, and these included recommendations aimed at reducing risks and strengthening internal controls.
- 1.3 In addition to the statutory 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) Suspected fraud Investigations
 - (e) 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.
- 1.4 A progress report was submitted to the Audit Committee in September 2016.

- 1.5 The Internal Audit Managers opinion is as follows:

The overall opinion is that the Council's internal control environment is generally adequate and effective. This is based on the work undertaken by Audit Services during 2015/16 which is summarised in this 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.

2. Options analysis and proposal

3. There are no options.

4. Implementation of audit recommendations will reduce risks for the authority. Failure to undertake internal audit work to the required standards would lessen the Council's assurance that effective control systems are in place and could result in an increase in the Council's annual external audit fee.

5. Financial implications

- 5.1 N/A

6. Other considerations

- 6.1 None

7. Timetable for implementation

- 7.1 N/A

Background papers:

Appendix:

Appendix 1 – Summary of Internal Audit Work for the year 1 April 2015 – 31 March 2016

Audit Review	Assurance Level*	Comments / Agreed areas for improvement
Letting of contracts by Asset Management	Some Improvement Needed	<p>Agreed Management actions :</p> <ul style="list-style-type: none"> • A business case and options appraisal setting out the cost/benefits to be produced informing the decision to extend the contract with Runnymede or otherwise. Legal advice will be sought on the correct way forward to vary the contract with Runnymede to allow for its extension if that option is preferred. • Runnymede to issue a quarterly report of KPI's analysis to the Head of Asset Management, in addition to the recommended trend analysis by Spelthorne Asset team. • Runnymede will be reminded to undertake internal quality audits in accordance with the Partnership Agreement. Such audits should incorporate review of a percentage of invoices for accuracy and completeness. • The Asset Management Strategy and Plan to be prepared with a view to completion of the planned maintenance plan in time to inform the Council's budget setting by October 2015 <p>(Note – A specialist Contractor carried out this review with shadowing from Auditors to share knowledge and skills)</p>
ICT	Some Improvement Needed	<ul style="list-style-type: none"> • Production of an ICT Strategy consistent with the core objectives of the Council, ensuring effective and efficient use of resources and service delivery. • Civica system contract being reviewed by legal to ensure acceptable terms and conditions for Spelthorne. • All ICT system contracts should be checked to ensure a valid agreement is in place <p>Audit also reviewed the process for administering Members ICT Allowances and carried out compliance testing. The Position Statement recommended:</p> <ul style="list-style-type: none"> • ICT Security Policy Do's and Don'ts and Personal Commitment Statements be sent out to Councillors who have not currently signed off to confirm they have

		<p>read and understood these rules (associated risk of non- compliance with standards and regulatory requirements, potentially exposing the authority to increased vulnerabilities and even reputational damage).</p> <ul style="list-style-type: none"> • Self-help notes / beginners guide for basic IT users to be written and passed onto any Councillors requiring help • That MAT and the Leader discuss with Councillors reasons why they may not be using the Spelthorne.gov.uk email address
Corporate Health and Safety	Some Improvement Needed	<ul style="list-style-type: none"> • Due to resourcing limitations a robust system of inspections has not been implemented by Managers across the Authority, This increases the risk of serious injury or even fatality, subsequent insurance claims and pay-outs, thereby exposing the Authority to reputational damage. Whilst the absence of Inspections in certain areas and the associated risks have been accepted by Management Team, this risk should be subject to periodical review. • Where Inspections are carried out they should be consistently documented and incorporate an element of Health and Safety checks as appropriate. It would be useful for the Health and Safety, Insurance and Risk Manager to liaise further with individual Services on this matter. • Annual reminders should be issued by the Health and Safety, Insurance and Risk Manager to encourage all employees to complete/update health and safety risk assessments (DSE, Homeworking, and Service). The SHE system could be used more effectively to ensure that automatic reminders are set for completion and renewal of risk assessments with automated alerts sent to Managers for non-completion. • Managers to ensure that job specific specialist training is completed for relevant employees. There should also be consistent and improved use of the SHE system to incorporate all health and safety training undertaken, which could be monitored periodically by Managers facilitated by review date alerts. • In order to promote continued awareness amongst Managers of their health and safety responsibilities, there is scope for the Health and Safety, Insurance and

		<p>Risk Manager to cover relevant topics periodically at Managers Briefing sessions.</p> <ul style="list-style-type: none"> • The Health and Safety Officer and Legal to jointly encourage Services to give sufficient consideration and due regard to health and safety when engaging in tender processes, entering into contracts with external parties and monitoring contracts, seeking advice as necessary. • The Corporate Risk Management Group (CRMG) to produce an annual action plan covering targets and outcomes to be achieved. The Health and Safety, Insurance and Risk Manager to report on progress as part of his regular updates to Management Team. <p>The Health and Safety, Insurance and Risk Manager is preparing an annual checklist for Managers to facilitate in addressing some of the internal audit recommendations from this review.</p>
Staines Market	Some Improvement Needed	<p>Audit were unable to provide assurance on the Market income as source documentation was incomplete. It was therefore recommended and agreed that:</p> <ul style="list-style-type: none"> • All permanent and casual market stall pitches be recorded to ensure they match fees and charges rates. • All carried forward rent arrears be clearly listed to ensure that income/rent is not lost. <p>The following audit recommendations were not agreed by Management:</p> <ul style="list-style-type: none"> • Independent reconciliation of Market income be carried out regularly by a member of Streetscene. (Resource limitations). • To raise invoices and charge all regular Stallholders rent in advance, accepting cash via secure methods, thereby reducing cash handling. (Not considered viable as Markets are a cash business) <p>The Market Operator to confirm all food traders hold a registration document as a food business establishment, to ensure compliance with Regulation (EC) no.852/2004 Article 6 and that copies of all registration documents are retained on file (Agreed)</p>

Sustainability (Allotments; Waste Data Flow Process; Recycling Credits)	Effective	Overall the processes for Allotments, Waste Data Flow and Recycling Credits areas are satisfactory. There are small areas for improvement which are currently being resolved via a new IT system for the Allotments process ('Eden'), and a targeted marketing campaign for encouraging greater recycling by Spelthorne residents.
Treasury Management	Effective	<p>The scope of the audit encompassed system review and compliance testing in the following key control areas:</p> <ul style="list-style-type: none"> • Policies, Procedures and Strategy • Loan Transactions • Investments and returns • Budgetary Control • Reporting on Investment Performance • System security and segregation of duties • Business Continuity • Training <p>Whilst audit testing identified some weaknesses relating to cash book and investment reconciliation processes, these have either been addressed or are being pursued.</p>

Creditors	Some Improvement Needed	<ul style="list-style-type: none"> • The Creditors Control Account should be reconciled to the General Ledger on a monthly or quarterly basis, subject to periodic management review and signing off. • A review of all authorisation limits should be carried out in the light of the new organisational structure. • A report showing goods that were receipted retrospectively should be produced to flag up any areas where procedures are not being followed. Provision should be made to address any training needs identified in specific service areas. • Exception reports showing credit notes raised during the financial year and suppliers with negative balances should be produced with narrative to provide explanations. • The practice of submitting a report of payments to the Principal Accountant for checking and initialling all payments over £20K following the payment run should be continued but copy invoices should not be produced to accompany the report. The Principal Accountant should check the pre-transmission request against the copy of “submission sent successfully” to confirm that the amounts match and evidence the check. • Resource allocation should be made available to the Creditors Team to carry out the National Fraud Initiative (NFI) work on duplicate payments.
Main Accounting Systems	Some Improvement Needed	<ul style="list-style-type: none"> • Prompt removal of Leavers from the Integra Financial System • Finance Manual and Service Plan to be finalised. • Annual review and testing of Accountancy’s Business Continuity Plans (being addressed through the Corporate Business Continuity Planning Programme)
Council Tax	Effective	<p>The scope of the audit encompassed system review and compliance testing in the following key control areas:</p> <ul style="list-style-type: none"> • Maintenance of accurate property listings • Recovery / suppression of accounts • Income handling
Business Rates	Effective	

		<ul style="list-style-type: none"> • Arrears process • Risk of theft/fraud • Write off procedures • Amendments to Standing Data • Council Tax discounts and NNDR reductions • Reconciliations • Business Continuity • Health and Safety <p>Overall the results of the audit compliance testing in the above areas are satisfactory for both the Council Tax and NNDR systems.</p>
Payroll/Human Resources	Effective	<p>The scope of the audit encompassed system review and compliance testing in the following key control areas:</p> <ul style="list-style-type: none"> • Monthly Payroll reconciliation to the General Ledger • Reconciliations of the Payroll system to Human Resources records • Circulation and management review of establishment lists • HR review of variance (exception) payments • Approval and processing of Starters and Leavers <p>Overall the results of the audit compliance testing in the above areas are satisfactory for the Payroll function.</p>
Debtors	Major Improvement Needed	<ul style="list-style-type: none"> • Management Team (MAT) to review information used for monitoring higher value debts, ensuring that suitable debt recovery has been taken, and if all efforts have been exhausted then write-off action must be taken. • Management to be provided with a monthly status report on high value debts (e.g. over £3,000) and over 6 months old with a full explanation of what recovery action has been taken, and where exhausted, why these have not been written off. • Given that the overall percentage of debt older than 6 months is 14.8%, MAT should

		<p>set targets aimed at reducing the levels of aged debt. Separate debt recovery targets should be given to the Customer Services team and the Housing Needs team, taking account of the respective debtor profiles.</p> <ul style="list-style-type: none"> • The Housing Needs Team should use the available B&B debtor analyses to monitor debt more closely, aiming to use the information to improve debt recovery and to take earlier write-off action where it is appropriate to do so. • The Customer Service Technical Team should further consider low value credit and debit balances which could be categorised as obsolete and eliminate these items from the sales ledger. • An exception report detailing any system differences to be written, making the reconciliation exercise by Accountancy more streamlined.
Continuous Auditing - ongoing review of risks	N/A	<ul style="list-style-type: none"> • Electronic Document Management • Town centre developments • Laleham Park
Follow Up Audit Recommendations	N/A	Audit recommendations were followed up in some areas during the year to monitor implementation.
Development of new assurance template	Various	During 2015/16 Internal Audit have encouraged Managers to provide assurance (via formal sign off) that controls in their functions/services are operating effectively, which contributes to a more efficient way of working for Audit, as well as promoting Management ownership of risks and controls. For a number of functions Audit have populated a simplified risk and control assurance template in collaboration with auditees and are continuing to pursue this exercise for all areas.
In Progress		

<ul style="list-style-type: none"> • Business Continuity and Emergency Planning • ICT – review of incident management process • Parking • CILS (Planning) • Payroll • Housing Benefits • Cash Collection and Banking (new contract) • Leisure Centre contract 		
Investigations undertaken in the following areas:		
Investigated duplicate refund payments for Council Tax and Business Rates		
Student Exemptions for Council Tax (part of Counter Fraud work)		
Parking		
Anonymous fraud allegation about a member of staff		
Other work		
Corporate Risk Management - Internal Audit continues to co-ordinate the Corporate Risk Register and reports regularly to Audit Committee and Cabinet. Corporate Risk Management Group meetings held periodically. Please also refer to the Corporate Risk Register to note improvements being made in a number of areas outlined above.		

Counter Fraud	<ul style="list-style-type: none"> • Spelthorne received £60k of the DCLG fraud fund in January 2015 which has been used to assist in the detection and prevention of non-benefit fraud, focusing on housing, (homeless and housing applications, tenancy fraud, right to buy applications) business rates (evasion and avoidance), and Corporate/miscellaneous frauds e.g. investigating student exemptions for Council Tax. • The Internal Audit Manager collates quarterly fraud returns for submission to Surrey County Council and meets regularly with Housing and Investigating Officers to develop and monitor the documented fraud referral process and discuss specific cases/challenges. Officer liaison with A2D. Significant payback/returns have been achieved from the DCLG grant funding and as at 31.3.16 the cumulative return for Spelthorne was £399k. • External groups are attended with Surrey Partners including the Surrey Counter Fraud Board (SCFB), Housing and Business Rates sub-groups. This enables the sharing of best practice and approaches in tackling housing fraud/business rate avoidance and evasion. Specialist software is being trialled to interrogate data in order to identify further potential fraud cases, e.g. by verifying residency and financial details of tenants/claimants. Spelthorne have participated in a Surrey wide publicity campaign to combat tenancy fraud by issuing a press release, Borough Bulletin article and publicising posters. • The Internal Audit Manager chairs the internal Fraud working group and disseminates any best practice • 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. • Internal Audit circulates details of frauds identified nationally to make staff aware of risks.
Advice to management	<ul style="list-style-type: none"> • MAT reports – governance, risk and control issues • Alternative service delivery options for several services and impact on in-house Services • Towards a Sustainable Future programme • Project management • Significant procurements / disposal of Council assets • Decision making process for land acquisitions • Agile Working • Relocation of Council Offices • Customer Services – Bailiffs • ICT – CCTV policy • Attempted Bribe

	<ul style="list-style-type: none"> • Reducing paperwork in Accountancy for income reconciliations • Policies and procedures eg PCI DSS (Payment Card Industry Data Security Standard) • New bank Contract • Grounds Maintenance • Document Retention • Parking • Gifts and Hospitality • Leisure - Income collection processes and cash handling relating to the Staines Magna Carta Event • Attendance, advice and support to a number of internal working groups •
Miscellaneous	<ul style="list-style-type: none"> • MAT and Audit Committee • Meeting with Portfolio Holder • New Councillors Induction Marketplace event • Service Planning and Performance Management (Service and personal targets, 1-1's, appraisals, review of work allocations and backfilling, monitoring progress in delivering Internal Audit Plan) • Staff Management • Budget Monitoring/raising orders and invoices • Commissioning internal audit resource from Surrey County Council and exploration of service resilience opportunities • Spelthorne Senior Auditor commissioned to carry out ICT Audits at Elmbridge, Woking and Surrey – liaison with Officers at these Councils /preparation of contracts/ associated management • Handover period/meetings prior to departure of former Head of Audit • Preparation of Internal Audit Plan for 2016/17 • Preparation of audit programmes and management review of Audits carried out • Attending new IT system demonstrations • Review of Audit's Document Retention Policy • Assessment of agile/home working options for Audit Service • Preparation of Business Impact Assessment as part of the Business Continuity programme • DSE assessments • Attendance at Devolution Presentation by SCC

	<ul style="list-style-type: none"> • Training/Seminars/Workshops • General Administration/filing • Liaison with external audit • Corporate management including: Management team meetings, Departmental Management Team, Managers Briefings • Support to the Council's governance arrangements eg contribution to Annual Governance Statement • Support with election duties
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WORK PROGRAMME 2016 – 2017

AUDIT COMMITTEE – 7 July 2016

Resolution Required

1. Work Programme

- 1.1 This report covers the Work Programme for the current municipal year 2016/17.
- 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 2015/16.
- 2.2 Meetings of this Committee have been scheduled in the Council's Diary for 2016/17 on the following dates:-
 - **7 July 2016**
 - **29 September 2016**

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

July 2016		
Corporate Risk Management	Audit Manager	Review
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Audit Services Annual Report	Internal Audit Manager	Report
Committee's Work programme for 2016/2017	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report

September 2015		
Corporate Risk Management	Internal Audit Manager	Review
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Annual Governance Statement	Chief Finance Officer	Approval
External Audit Plan	External Audit	Report
External Audit report on Audit and Statement of Accounts	Internal Audit Manager	Report
Report on The Effectiveness of the System of Internal Audit	Internal Audit Manager	Report
External Audit Annual Audit Letter	External Audit	Report
Internal Audit Interim Report	Internal Audit Manager	Report

Committee's Work programme for 2015/2016	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report
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- 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.

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