

Appendix 1 to Audit Annual Report

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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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</li> </ul> <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"> <li>• Production of an ICT Strategy consistent with the core objectives of the Council, ensuring effective and efficient use of resources and service delivery.</li> <li>• Civica system contract being reviewed by legal to ensure acceptable terms and conditions for Spelthorne.</li> <li>• All ICT system contracts should be checked to ensure a valid agreement is in place</li> </ul> <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"> <li>• 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</li> </ul>

		<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"> <li>• Self-help notes / beginners guide for basic IT users to be written and passed onto any Councillors requiring help</li> <li>• That MAT and the Leader discuss with Councillors reasons why they may not be using the Spelthorne.gov.uk email address</li> </ul>
Corporate Health and Safety	Some Improvement Needed	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• In order to promote continued awareness amongst Managers of their health and safety responsibilities, there is scope for the Health and Safety, Insurance and</li> </ul>

		<p>Risk Manager to cover relevant topics periodically at Managers Briefing sessions.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <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"> <li>• All permanent and casual market stall pitches be recorded to ensure they match fees and charges rates.</li> <li>• All carried forward rent arrears be clearly listed to ensure that income/rent is not lost.</li> </ul> <p>The following audit recommendations were not agreed by Management:</p> <ul style="list-style-type: none"> <li>• Independent reconciliation of Market income be carried out regularly by a member of Streetscene. (Resource limitations).</li> <li>• 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)</li> </ul> <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"> <li>• Policies, Procedures and Strategy</li> <li>• Loan Transactions</li> <li>• Investments and returns</li> <li>• Budgetary Control</li> <li>• Reporting on Investment Performance</li> <li>• System security and segregation of duties</li> <li>• Business Continuity</li> <li>• Training</li> </ul> <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"> <li>• 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.</li> <li>• A review of all authorisation limits should be carried out in the light of the new organisational structure.</li> <li>• 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.</li> <li>• Exception reports showing credit notes raised during the financial year and suppliers with negative balances should be produced with narrative to provide explanations.</li> <li>• 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.</li> <li>• Resource allocation should be made available to the Creditors Team to carry out the National Fraud Initiative (NFI) work on duplicate payments.</li> </ul>
Main Accounting Systems	Some Improvement Needed	<ul style="list-style-type: none"> <li>• Prompt removal of Leavers from the Integra Financial System</li> <li>• Finance Manual and Service Plan to be finalised.</li> <li>• Annual review and testing of Accountancy's Business Continuity Plans (being addressed through the Corporate Business Continuity Planning Programme)</li> </ul>
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"> <li>• Maintenance of accurate property listings</li> <li>• Recovery / suppression of accounts</li> <li>• Income handling</li> </ul>
Business Rates	Effective	

		<ul style="list-style-type: none"> <li>• Arrears process</li> <li>• Risk of theft/fraud</li> <li>• Write off procedures</li> <li>• Amendments to Standing Data</li> <li>• Council Tax discounts and NNDR reductions</li> <li>• Reconciliations</li> <li>• Business Continuity</li> <li>• Health and Safety</li> </ul> <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"> <li>• Monthly Payroll reconciliation to the General Ledger</li> <li>• Reconciliations of the Payroll system to Human Resources records</li> <li>• Circulation and management review of establishment lists</li> <li>• HR review of variance (exception) payments</li> <li>• Approval and processing of Starters and Leavers</li> </ul> <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"> <li>• 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.</li> <li>• 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.</li> <li>• Given that the overall percentage of debt older than 6 months is 14.8%, MAT should</li> </ul>

		<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"> <li>• The Housing Needs Team should use the available B&amp;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.</li> <li>• 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.</li> <li>• An exception report detailing any system differences to be written, making the reconciliation exercise by Accountancy more streamlined.</li> </ul>
Continuous Auditing - ongoing review of risks	N/A	<ul style="list-style-type: none"> <li>• Electronic Document Management</li> <li>• Town centre developments</li> <li>• Laleham Park</li> </ul>
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.
<b>In Progress</b>		

<ul style="list-style-type: none"> <li>• Business Continuity and Emergency Planning</li> <li>• ICT – review of incident management process</li> <li>• Parking</li> <li>• CILS (Planning)</li> <li>• Payroll</li> <li>• Housing Benefits</li> <li>• Cash Collection and Banking (new contract)</li> <li>• Leisure Centre contract</li> </ul>		
<b>Investigations undertaken in the following areas:</b>		
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		
<b>Other work</b>		
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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• The Internal Audit Manager chairs the internal Fraud working group and disseminates any best practice</li> <li>• 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.</li> <li>• Internal Audit circulates details of frauds identified nationally to make staff aware of risks.</li> </ul>
Advice to management	<ul style="list-style-type: none"> <li>• MAT reports – governance, risk and control issues</li> <li>• Alternative service delivery options for several services and impact on in-house Services</li> <li>• Towards a Sustainable Future programme</li> <li>• Project management</li> <li>• Significant procurements / disposal of Council assets</li> <li>• Decision making process for land acquisitions</li> <li>• Agile Working</li> <li>• Relocation of Council Offices</li> <li>• Customer Services – Bailiffs</li> <li>• ICT – CCTV policy</li> <li>• Attempted Bribe</li> </ul>

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

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