

*Please reply to:*

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Date: 14 January 2015

## **Notice of meeting**

### **Audit Committee**

**Date:** Thursday 22 January 2015

**Time:** 7.30 pm

**Place:** Goddard Room, Council Offices, Knowle Green, Staines-upon-Thames

#### **To the members of the Audit Committee**

Councillors:

M.J. Madams (Chairman)  
A.C. Harman (Vice-Chairman)  
J.A. Dale

D. Gohil  
D. Patel

A.C. Patterson  
C.V. Strong

## *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

### **1. Apologies**

To receive any apologies for non-attendance.

### **2. Minutes**

To confirm the minutes of the meeting held on 18 September 2014 (copy attached). 1 - 4

### **3. Disclosures of Interest**

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

### **4. Corporate Risk Management - Information Governance**

To receive a report from the Head of Corporate Governance in relation to Information Governance (copy attached). 5 - 8

### **5. Corporate Risk Management - Performance Management**

To receive a report from the Assistant Chief Executive in relation to Performance Management (to follow).

### **6. Corporate Risk Management**

To receive a report from the Assistant Chief Executive (copy attached). 9 - 24

### **7. Annual Audit Letter**

To receive the a report from the External Auditor (copy attached). 25 - 30

### **8. Interim Internal Audit Report**

To receive a report from the Head of Audit Services (copy attached). 31 - 38

### **9. Committee Work Programme 2014/15**

The Committee is requested to consider and approve its work programme for the Municipal Year 2014/15 (copy attached). 39 - 40



**Minutes of the Audit Committee  
18 September 2014**

**Present:**

Councillor M.J. Madams (Chairman)  
Councillor A.C. Harman (Vice-Chairman)

Councillors:

J. Dale

A.C. Patterson

**Apologies:** Apologies received from Councillors D. Gohil and C.V. Strong.

**241/14 Minutes**

The minutes of the meeting held on 26 June 2014 were approved as a correct record.

**242/14 Disclosures of Interest**

There were none.

**243/14 External Audit Report on Audit and Statement of Accounts**

The Assistant Chief Executive reported that external auditors appointed by the Audit Commission, KPMG, were required, in accordance with international auditing standards and statutory requirements, to report annually to the Council on:

- Their opinion on the Statement of Accounts
- Any uncorrected items in the Statement of Accounts
- Qualitative aspects of the Council's accounting practices and financial reporting
- The Annual Governance Statement
- Their annual Value for Money conclusion

They also reported annually on their audit of the Council's accounting and internal control systems.

They confirmed that KPMG would be issuing an unqualified opinion on the Statement of Accounts

Tamas Wood and Grant Slessor, on behalf of KPMG presented the report and responded to Members' questions. They concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

The report confirmed that the overall control environment was effective. The key financial systems were generally sound and they issued one priority two (broadly medium level) recommendation in respect of ensuring all working papers were available for auditors at the outset of the audit.

## Audit Committee, 18 September 2014 - continued

**Resolved that:**

- (1) the Audit Committee notes the External Auditor's 2013/14 audit report;
- (2) the Assistant Chief Executive in his role as the statutory Chief Financial Officer, and the Chairman of the Audit Committee sign the draft letter of representation as appended to the Auditors' report;
- (3) the Chief Finance Officer and Chairman of the Committee sign the statement of accounts and
- (4) the Audit Committee notes the draft officer responses to the recommendations made in Appendices 1 and 2 of the Auditors' report.

**244/14 Corporate Risk Management – Performance Management**

The Committee received a written update on Performance Management from the Assistant Chief Executive, Lee O'Neil which was circulated at the meeting. It explained the outcomes of the Performance Management Working Group which met on 4 August 2014 to discuss the Council's current performance management arrangements. The terms of reference for the working group were agreed and the format for future reports and ongoing reporting mechanisms were discussed. He stated that he would provide an update on the progress of the working group to the Audit Committee once these arrangements had been finalised.

**Resolved:**

- (1) to note the update on Performance Management arrangements
- (2) that the Assistant Chief Executive attend the next Audit Committee on 11 December 2014 to provide an update on the work of the Performance Management Working Group.

**245/14 Corporate Risk Management – Emergency Planning**

The Committee received a presentation from the Risk and Resilience Manager on the Council's Emergency Planning measures. He gave a summary of the floods experienced in February 2014 and outlined the recovery work that was underway. In particular he drew the Committee's attention to the lobbying of government to provide further funding towards the Lower Thames Flood Relief Scheme.

He stressed the importance of emergency planning procedures within the organisation especially as there was an increased likelihood of extreme weather events reoccurring in the future. He explained that the Council's proximity to Heathrow Airport and the 'severe' threat level of terrorism made the Council more susceptible to risks than other boroughs in the country. He concluded that the Council's Emergency Planning was an essential tool to maintain business continuity and mitigate the risks of an emergency.

**Resolved** that the Committee note the emergency planning update.

## Audit Committee, 18 September 2014 - continued

**246/14 Corporate Risk Management**

The Head of Audit Services reported that the Corporate Risk Register had undergone its regular quarterly review and update by the Corporate Risk Management Group and Management Team to ensure that actions were being taken to deal with the identified risks. The revised register was considered to be an accurate reflection of the high level risks affecting the Authority. Progress on actions was documented on the register.

The Head of Audit Services drew members' attention to the risks of Project Management and the 32 projects that the Council was currently committed to. In particular the 'Towards a Sustainable Future' programme was identified as making a great demand on all services in the Council. The need for additional savings as a result of government grant funding reductions is a driver for reviewing alternative service delivery models and different ways of delivering services (including remaining in-house) which may result in staff redundancies. The Committee recognised the effects on staff morale as a result of these measures.

The Head of Audit Services noted the apologies of the Head of Corporate Governance who was scheduled to address the Audit Committee on the steps taken to mitigate the risks associated with information governance. She informed the Committee that he would attend the next meeting on 11 December 2014 to provide an update on this matter.

**Resolved that:**

- (1) the contents of the Corporate Risk Register be noted and accepted;
- (2) the Head of Corporate Governance to attend the next Audit Committee meeting on 11 December 2014, to outline the steps taken to mitigate the risks associated with information governance.

**247/14 Effectiveness of the System of Internal Audit**

The Head of Audit Services presented her report on the effectiveness of the system of internal audit. She referred to various performance indicators used to assess the system of internal audit including the Service Plan, Audit Plan, professional standards, external audit reliance and achievements in 2013/4.

She also referred to the improvement plan for 2014/5 which focused primarily on the 'towards a sustainable future' initiative that required all services to review their service delivery models.

She explained that the internal audit team would continue to develop a programme of fraud risk reduction. A joint bid with Surrey County Council and other boroughs had recently been submitted to the Department for Communities and Local Government (DCLG) for fraud funding to provide resources to detect and prevent fraud across the authority's services.

## Audit Committee, 18 September 2014 - continued

**Resolved** that the report on the effectiveness of the system of Internal Audit be noted.

**248/14 Annual Governance Statement 2013-14**

The Chief Finance Officer presented his report and outlined the content of the Annual Governance Statement (AGS) 2013-14. The Statement reviewed arrangements for corporate governance and internal control as required by the Accounts and Audit Regulations 2006.

The AGS also identified any areas of significant weakness in internal controls, and areas for improvement, and the actions taken to remedy these. This included improvements recommended in the LGA Peer Review and the subsequent action plan which had been agreed by Cabinet and Management Team.

**Resolved** that the draft Annual Governance Statement at Appendix 1 to the report of the Chief Finance Officer be approved and that the improvement actions identified in the Statement be endorsed.

**249/14 Committee Work Programme 2014-2015**

The Committee considered its Work Programme for the 2014-2015 Municipal year.

**Resolved** that:

- (1) the Committee Work Programme 2014-2015 be noted.
- (2) the Head of Corporate Governance attend the next Audit Committee on 11 December 2014 to provide an update on the steps taken to mitigate the risks associated with information governance.
- (3) the Assistant Chief Executive attend the next Audit Committee on 11 December 2014 to provide an update on the Performance Management Working Group.



## **Information Governance**

### **1. Background**

- 1.1 Information Governance is a term which has been used commonly in recent years to describe the framework of policies, procedures, processes and controls being implemented to securely manage information in an organisation to achieve legal compliance with (principally) the Data Protection Act.
- 1.2 Information Governance is a framework to bring together all the standards, legal requirements and best practice to manage the information lifecycle. Information Governance is the process of making the right information available to the right people at the right time, until it reaches the end of its life when it must be disposed of in accordance with the appropriate standard or be retained indefinitely.
- 1.3 It primarily covers personal data, i.e. that relating to members of the public and employees, and corporate data, e.g. financial and accounting records. Some of this data will be sensitive, some may be confidential but other records may be public and open to inspection.
- 1.4 There have been a number of government initiatives and legislation over recent years concerning both data and information. The government is particularly keen on promoting the protection of information/data while at the same time promoting public transparency and the responsible sharing of information. Developing an information sharing culture within the organisation, and with partners, will enable the Council to develop services to better suit the complex needs of its customers, thus improving the services to residents and generating efficiencies. The Council has a great deal of data to manage in a number of different business areas. In recent years there has been a surge in the creation of information due to technological advances, and this serves as an example of the need to manage its whole lifecycle correctly and responsibly.

### **2. Issues**

- 2.1 In recent years the powers of the Information Commissioner's Office have been increased and it now has the ability to make significant financial penalties against councils for breaching rules on handling of personal data. The indirect organisational and reputational costs for the council involved in a breach are significant as well as the direct costs resulting from any financial penalty which may be imposed which is up to £500,000.
- 2.2 Local government has not been mandated to achieve any standards in information governance. However other objective standards exist, such as various international and British standards of the British Standards Institute. (For example the Council's auditors used ISO 27001 as the basis on which to assess the Council's performance in a recent Information Management audit). Although we have not resolved to meet any of these standards they are gradually becoming the benchmark by which we are going to be judged. The Management Team has resolved to meet the standards required by the Public Sector Network (PSN) for data handling and sharing as these are essential to the Code of Connection security issues and for connection to the Public Sector IT network.
- 2.3 In response to this the Information Governance Group (IGG) was set up, chaired by the Head of Corporate Governance, and consisting of heads of services and other

officers. As the governance of information and the protection of personal information are highly important, the Head of Corporate Governance has been appointed as the Senior Information Risk Owner (SIRO). This role is laid down in the PSN Guidelines on Local Government Data Handling. The SIRO is responsible for ensuring that information governance is embedded into the organisation to ensure that the potential risks to corporate information and records are mitigated. It has been agreed by Management Team that the Head of Corporate Governance will be the SIRO. In this role he is assisted by the Data Protection Officer, Victoria Statham our Principal Solicitor.

### 3. Present position

- 3.1 The main issue regarding the present position is around resources. The Council does not have any dedicated members of staff to work in the area of Information Governance. For example, a dedicated records manager, knowledge management specialists, dedicated Data Protection Act officers or Freedom of Information Act officers. Other councils have dedicated members of staff. In two district councils, Surrey Heath Borough Council and Guildford Borough Council there is a dedicated full-time role for Information Governance. This person looks at the overall information systems of the Council and considers all aspects of data protection, freedom of information, data sharing, privacy implications, risk management and information governance. By way of comparison, it is interesting to note that Guildford Borough Council invited the Information Commissioner's Office in 2013 to Guildford in order to undertake a voluntary audit of Guildford's policies processes and procedures. Although a number of areas of good practice were noted the resources for Information Governance were recommended to be improved. A recommendation was made for the addition of a full-time records manager to the establishment.
- 3.2 In Spelthorne we have added Information Governance to the role of other members of staff. Whilst we can make limited progress on Information Governance issues, we will not be able to make significant improvements unless there are further resources devoted to the issue and the Council may well continue to bear some element of risk.
- 3.3 A report went to Management Team last year to request additional staff resources however due to budget constraints was rejected. Therefore it has been the work of the IGG to gradually progress the action plan within current resources.

### 4. Action Plan

- 4.1 The IGG has developed an action plan by way of an issues log to ensure information assets are identified and managed. In the absence of dedicated resources the progress made to date has been limited and the associated risks have been highlighted to Management Team. Below is a list of actions which are currently being progressed:

- (i) **An information assets database.** One of the main projects to implement is to have a comprehensive information assets database. Having such a database will allow the Council to undertake a proper risk assessment in relation to each set of records that the Council holds, how these are stored, accessed, communicated internally and externally and to identify issues of privacy and business continuity. The partial datasets which we have at the moment do not effectively allow us to manage this risk. It is going to be a time-consuming

exercise to undertake a mapping process to get information in relation to all the assets and then to risk assess each one. The Corporate Project Manager and the Project Management team alongside the Principal Solicitor have recently been identified to help with this approach because of the links to Towards a Sustainable Future and the filing and storage requirements in any new office building. They are making progress on formulating an improved information assets database. They will be conducting interviews with Heads of Service to ascertain what data departments hold which will lead to a risk assessment and subsequent mitigation of the risks.

- (ii) **Secure email.** The issue of email security has been recently addressed. The Head of ICT has recently introduced 'Egress Switch' at the Council which offers an encryption service to protect all forms of electronic information, shared both internally and externally. This will limit the risk of accidental data loss or deliberate interception while information travels over the internet.
- (iii) **Privacy impact assessments.** Privacy impact assessments are not a mandated requirement, however the increasing development of "best practice" and guidance of the Information Commissioner means that should the Council have a security breach, this will be one of the issues which is considered by the Information Commissioner on any investigation. We have not been able to make any progress with privacy impact assessments during the year. This is due to a lack of staff time and resource. However the IGG is currently working on a draft privacy impact assessment policy and was taken to the IGG meeting on 7 January 2015.
- (iv) **Data Sharing Protocol.** Sensitive data is often shared with the police, social services, and other local authorities. Further protocols may be required. This will be assessed and implemented after all the Council's information assets are recorded. Currently the local authority is signed up to Multi agency sharing protocols with the Police and County Council etc which cover e.g. Crime and Disorder and the Family Support Programme.
- (v) **Explicit Consent.** Currently the Council uses implied consent and fair processing notices with regards to its sharing of data however the intention is to move towards explicit consent so there is consent to process data and an evidence trail. This means that residents and service users "opt in" to the use of their data rather than us adopting a default position which leaves them to "opt-out" if and when they discover how their data is being used. A risk assessment to identify where this policy would be required is necessary, however due to lack of resources progress in this area has been limited.
- (vi) **Social Media.** A new social media policy was implemented in 2013 which addressed the risks of inappropriate data sharing via social media and allowed for all staff to be aware of the risks posed to the Council. Further training for staff and members would be desirable, but has not been undertaken.
- (vii) **Forensic Readiness Policy.** This is a policy and procedure to action investigations when there is suspected breaches of data security and loss of data. Training across the County has been provided on the forensic readiness policy to relevant staff. The County Council paid for this training. Actions are being taken forward to the next IGG meeting in February 2015.

- (viii) **Training for the organisation.** The Principal Solicitor alongside the Corporate Project Manager are organising a training programme for all staff tailored to their specific needs and intend to begin in February 2015 once knowledge of the Council's information assets is gathered.
- (ix) **Data Protection Act Training Database.** A spreadsheet has been created to monitor the requirements of each member of staff for training. For instance those handling sensitive data will require more training a year than those who don't handle sensitive data. The spreadsheet highlights those members of staff who have not received the required training, those who need refresher training and those who needs extra training because of the sensitivity of the data.
- (x) **Clear Desk Policy.** The objective of the Clear Desk Policy is to set guidelines which reduce the risk of a security breach, fraud and information theft caused by documents being left unattended in Council premises. A Policy has been drafted and was taken to the IGG meeting on 7 January 2015.

## Audit Committee

22 January 2015



<b>Title</b>	Corporate Risk Register		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Head of Audit Partnership – Deanna Harris		
<b>Cabinet Member</b>	Councillor Tim Evans	<b>Confidential</b>	No
<b>Corporate Priority</b>	This item is not in the current list of Corporate priorities		
<b>Cabinet Values</b>	N/A		
<b>Recommendations</b>	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) **Political change** – The forthcoming elections could lead to political change and uncertainty. Any associated impact on Council priorities, delivery of ongoing projects or service plans/resources will need to be evaluated.
  - (b) **Business Continuity** – During the course of various audit reviews during 2014 it has been noted that service business continuity plans are not all up to date and have not been fully tested although it is acknowledged services were able to continue during recent flooding in the area. This means that delivery of some key services could be disrupted in future. This risk is heightened with increased security/terrorist threats, further flooding predictions, continuing risk of pandemic outbreak, loss of key staff as the economy recovers etc. A proposal to source additional capacity through modifying the resilience services delivery vehicle is being considered.
  - (c) **Delivery of the ‘Towards a Sustainable Future’ (TSF) and providing financial resilience** for the authority will require ongoing management of risks in order to mitigate threats from for example, those set out in b above, impact of delays in the programme, challenges to new sources of income, loss of key members of staff and capacity to deliver. The Council’s Management Team has already acknowledged risks and there will be ongoing monitoring through the various programme and project

management streams. Additional resources have been set aside to support the TSF programme.

- (d) **Project management** – In addition to TSF, there is a requirement to deliver 32 other key Council projects.
- (e) **Information Governance** – Further work is required to progress the action plan to ensure information assets are identified and managed, to reduce the risks of data breaches, fines and reputational damage. The Head of Corporate Governance will be attending Audit Committee to provide some background and plans to address this risk.
- (f) **Resilience for key staff** and potential impact on service delivery – Management Team will continue to consider the risk of losing key members of staff particularly at a time when they may feel under workload pressure, uncertain about their futures and have more opportunities opening up in the recovering economy.
- (g) **Morale / loss of key staff** – Management Team will ensure that change management is effectively managed throughout the ‘Towards a Sustainable Future’ programme and the importance of regular communication with staff has been recognised.
- (h) **Governance and transparency** – ‘Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities’. Local government has been undergoing significant change brought about by economic and financial challenges. Like other authorities, Spelthorne is considering different forms of service delivery, new structures and difference ways of working. Services are being procured or commissioned in different ways and the Council is looking to make better use of its assets. Good governance arrangements ensure decisions are underpinned with effective controls ensuring transparency and accountability. The Chief Executive is responsible for ensuring the Council follows relevant policies and procedures in all its activities and a further review of the governance arrangements will take place during 2015/16.

## 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**

Resources required (staff time) to implement actions proposed in the Corporate Risk Register should be contained within existing budgets.

**4. Other considerations**

The Corporate Risk Register covers a wide range of risks and associated consequences including financial losses, failure in service delivery, health and safety incidents, and reputational damage.

**5. Timetable for implementation**

The Corporate Risk Register shows officers responsible for progressing actions, together with timescales for implementation. The register is reviewed and updated quarterly by Audit Services.

**Background papers:** There are none.

**Appendices:** Appendix 1 – Corporate Risk Register

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 3**

This Register summarises significant risks faced by the Council in relation to achieving the objectives and priorities as set out in the Council's corporate plan. 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 January 2015

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	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 in place. Managers have a legal requirement to conduct regular risk assessments. Induction training for staff is undertaken with all staff on joining.	Risk assessments for all Services are to be reviewed, and updated details entered onto the SHE system.	MAT/ All Service Heads	(O) 30th April 2015 Requires monitoring	Additional resource has been approved to assist Managers in conducting/updating health and safety risk assessments for their Services.
	2. Uncertainty surrounding the financial /economic/other consequences of contaminated land	4	Legal duty to inspect land and prioritise action. A separate risk assessment addresses contractual, financial/resources and legal/regulatory risks, and this is reviewed regularly. Reports have been issued to Management Team and Cabinet outlining financial and other risks.	<i>The Contaminated Land Strategy will be reviewed in 2014.</i>	ACX (LO)*	Completed	



**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 3**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	3. Disaster- major in borough, e.g. flooding, resulting in significant strain on council services (eg homelessness).	4	Corporate Emergency Plan updated Oct 2013. Membership of Local Resilience Forum (LRF). Regular testing of Emergency Assistance Centre plan. Yearly Borough Emergency Centre Plans. Incident management training and exercising. Updated Emergency Plan approved by Overview and Scrutiny November 2013. Formalised payment structure for staff carrying out Emergency Planning roles.	<i>An internal review has been undertaken into response to major flooding with recommendations agreed by Cabinet. These are being progressed by Risk and Resilience Manager. Council has been part of a multi agency debrief to learn lessons and improve multi agency response via the Local Resilience Forum. The corporate emergency plan is being updated as normal {no major changes required}.</i>	ACX (LB)/ RRM (NM)*	Ongoing monitoring	Recommendations arising from debriefs into previous flood responses are being processed. A cross department winter preparation meeting took place to coordinate efforts. These are numerous and include; working with the Environment Agency on managing flood related calls, ensuring calls to customer services and Safer Runnymede are handled smoothly, extended flood line service, a new mapping system to improve situational awareness, review of the sandbag policy, updating the multi agency flood plans. Meetings have been held with a number of groups, and the December workshop aimed to improve operational response coordination with community groups.
	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 should be monitored through the appraisal process. Flagship project performance is reported to Management Team and Members.	<i>Performance Management Working Group has been established to improve monitoring arrangements.</i>	MAT / ACX LO	Requires Monitoring	The Performance Management Working Group is in the process of reviewing current service indicators, future reporting mechanisms and the reporting format and will be providing an update to Cabinet. An update on progress with this work will be provided to the Audit Committee on 22nd January.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 3**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	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 clear 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 relating to services. Plans incorporate issues relating to resources, risks, workforce, significant projects and any relevant performance indicators.	<i>Service Plans need to be completed for 2014/15</i>	Service Heads/ MAT	Requires Monitoring	Service Plans have been received for all services apart from Legal Services, which is currently undertaking an assessment of possible future partnership arrangements with Reigate and Banstead Borough Council.
	6. Failure of projects due to poor project management arrangements. Lack of resource and expertise to deliver and coordinate asset related/other projects whilst continuing to maintain services.	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 team is in place. The Council's Management Team ensures project documentation is completed, resource implications assessed and agreed control processes adhered to. Project management team meets individual members of MAT on a regular quarterly basis to review management of projects.	<i>Asset Management is a corporate priority and many of the Council's projects are asset related including developments in Staines Town Centre and Knowles Green – this area will need to be reviewed due to limited resources in this area.</i>	MAT	MAT to agree	MAT intend to review Asset Management structure as part of 'Towards a Sustainable Future' (TSF) programme
HoCS*				Requires Monitoring	32 projects are currently being tracked through the Project Office.		
HoS&L*				To be agreed	A briefing paper was submitted to the September cabinet as to the scope and future of the Laleham Park project, and an option to create additional facilities was agreed. A number of projects have also been identified following recommendations from the research work carried out by the Housing consultant. These are associated with opportunities to increase the Council's temporary housing provision to cater for an expected increase in demand for social housing due to recent legislative changes.		

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 3**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
			2. Staines upon Thames - The Head of Planning and Housing strategy has now been appointed full time as the Staines upon Thames regeneration manager with support from consultants.		Head of P&HS*	Requires Monitoring	5 work streams have been fully defined and documented. A report is due to go to Cabinet on 16th December regarding the Bridge Street site. A sub-committee of the Cabinet has been established to oversee the progress of the programme.
			3. Towards a Sustainable Future - The Head of Customer Services is currently mapping out a programme for this challenging initiative. This will identify roles, responsibilities, key deadlines, financial implications and risks	<i>Management Team to consider the resource requirements and funding for the 'Towards a Sustainable Future' programme. They will appoint a Programme Manager to oversee this fundamental review of the Council.</i>	MAT	Key dates to be agreed	MAT will identify roles, responsibilities, key deadlines, financial implications and risks. The project team is currently reviewing document retention and electronic data management systems. An initial piece of work has been conducted by the Project Management Co-Ordinator to give a high level overview of each of the work streams. Good progress has been made on the Knowle Green Programme with both the Relocation and Redevelopment projects being assigned. Project Managers and MAT have approved both Project Initiation Documents. High level risks and issues have been identified as well as outline budget costs. MAT are still considering the resource requirements to deliver the 'TSF' programme
	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 in place. Personal Commitment statement required from all staff. ICT security group assess ongoing risks. ICT disaster recovery test satisfactorily conducted June 2012 and March 2014.	<i>Information Governance Group developing action plan to ensure information assets are identified and managed.</i>	Head of CG *	Actions outstanding	The Information Governance Group has developed an action plan to ensure information assets are identified and managed. In the absence of dedicated resources the progress made to date is limited and the associated risks have been highlighted to management. The Head of Corporate Governance will be attending Audit Committee to provide an update.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 3**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
				<i>The Council's project team is currently considering the document retention policy and alternative electronic document management systems which will help to strengthen info security.</i>	HoCS*/MAT	31 March 15 (O)	MAT will consider options from the work undertaken by the project team.
	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.	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. External penetration test and health check took place in October. All Baseline Personnel Security Standard checks of relevant employees have been completed.		Head of ICT *	Ongoing monitoring	
			CoCo re-accreditation achieved in December 2013. The Cabinet Office has increased security requirements due to the implementation of the Public Service Network (PSN).	<i>A further CoCo submission has been made in November 2014, where any outstanding issues will have to have been addressed.</i>	Head of ICT *	30 November 2014	On target

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	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 in place. The BC Forum oversees progress of bcs planning. All Services should have up to date and tested BC Plans. Business Impact Assessments are complete. These 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. An emergency messaging system for staff has been rolled out. Live loss and denial of access exercise for Knowle Green took place Sept 2013 Improvements have been made to telephony resilience. ICT disaster recovery test achieved.	<i>The Risk and Resilience Manager to outline actions underway to update and test business continuity plans for all Services.</i>	Service Heads/MAT/RRM *	(O) February 2015. Requires Monitoring	The Council's business continuity arrangements have been tested in the 2014 flooding when services were maintained despite some difficulties for staff getting to work and the need to divert staff to deal with flood issues. The Business Continuity group met to discuss updates and agreed a number of actions which are being progressed. Due to additional pressures, in particular flood recovery, community resilience and winter preparations, the business continuity planning programme has been delayed. Prioritisation of actions is needed through close liaison with Services. Additional capacity is being considered through modifying the resilience services delivery vehicle.
	10. Failure in service delivery due to over reliance on individuals	3	Service Heads/MAT are responsible for ensuring business continuity, including loss of key staff. Critical procedures should be fully documented and staff appropriately trained. Service Heads should review arrangements as part of the service planning process. In some cases resilience may be provided from other local authorities or other organisations.	MAT will be reviewing structures as part of the budget saving exercise, and consideration will be given to resilience and succession planning arrangements.	Service Heads/ MAT	Requires Monitoring	MAT and Heads of Service have identified and addressed resilience issues in a number of service areas including: Accountancy, Customer Services, Asset Management, Housing Options, Economic Development. The Council's approach to flexible and remote working helps mitigate resilience issues.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	11. Failure in service delivery due to reduced capacity and increasing demands from the community. Increased risk of delay, errors or stress.	3	Short term reductions in capacity due to increasing demand or absence of staff 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. In some circumstances it is necessary to supplement staffing levels with additional temporary or permanent resource. Resources need to be diverted to implementing new systems or introduce new ways of working. The recent strengthening of project management support is an example. Staff have access to counselling via Occupational Health. If resources cannot be enhanced, services will have to prioritise work to resources available.	<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>	Service Heads/ MAT	Requires Monitoring	MAT maintaining under review Towards a Sustainable Future (TSF) should help to address service levels/requirements and capacity issues
	12. Low morale as a result of increasing service demand, lack of staff & finance, org changes, uncertainty etc. Increased risk of losing expertise and impact on services. The current 'Towards a Sustainable Future' programme involving service review, alternative service delivery models, financial savings and office moves will lead to concerns in some areas.	3	There are a range of employment arrangements in place including recruitment and selection, pay and rewards, training and development. Other measures exist such as Change Management process clear communications, performance management systems, appraisals, one to one's, team meetings, performance clinics, staff meetings. A tripartite pay group is meeting regularly to discuss officer pay.	1: <i>Management Team to keep under review, particularly in light of 'Towards a Sustainable Future'.</i>	MAT	Requires Monitoring	
				2. <i>A peer review took place January 2014 and an action plan is being developed.</i>	ACX LO	TBA	A draft action plan has been produced by Management Team in consultation with the Leader. The key elements of the action plan are summarised in the conclusion of the Annual Governance Statement on the agenda of the September Audit Committee.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 3**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	13. Failure in governance arrangements and lack of transparency leading to: Failure to deliver effective services Poor value for money (vfm) Costly legal challenges 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 and recognising risks. Member and staff training programmes undertaken. Accountability through published accounts and various forms of engagement with community .	<i>The Council's Code of Corporate Governance is to be reviewed in 2015/16</i>	MAT	Ongoing monitoring	
	14. Procurement - Weak governance arrangements and lack of transparency in procurement. 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.	3	Contract Standing Orders set out tendering requirements. Officer Code of Conduct sets out requirement for declaration of interests. Contract guidelines in place with compliance checklist. Legal team provide support on contract management as requested. Contract management training held in September 2012, although this was not attended by all relevant services. Legal Services have updated managers in July 2013. Specification writing training has taken place. Further procurement training has taken place 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.	1. <i>Procurement, contract management and asset management expertise is limited across the authority and this is to be reviewed under the TSF programme.</i> 2. <i>There is a lack of horticultural expertise within Streetscene and therefore a risk that the Grounds Maintenance contract will not be effectively managed.</i>	MAT  ACX (LB)	Ongoing monitoring  Requires Monitoring	Management Team has considered expertise and resources in these areas. Additional resource has been allocated to Asset Management. The Corporate Risk Management Group will continue to monitor. MAT will be reviewing through TSF.  The Head of Streetscene has enrolled with a distance learning provider to take the RHS level 2 diploma exam - in the meantime the authority has no experienced and dedicated resource.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 3**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
				3. MAT will monitor the appointment of consultants and contractors for the Council's projects including Town Centre, Knowle Green and other initiatives to ensure full compliance with governance requirements	MAT	Requires Monitoring	
	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.	3	Service Heads/ MAT/Members are aware of risks. Working groups established to deal with the various changes. The authority faces some challenges in managing the loss of £500k per annum in subsidy relating to recovery of Housing Benefit overpayments which will be fully realised if the roll out of Universal Credit is completed in 2017/18. The first year's impact is reflected in the 2014/15 budget and in medium term projections for future years. There is also uncertainty over recovery of the £1.5m of outstanding Housing Benefit overpayment debt which is currently in the Council's accounts. The bad debt provision has been increased in 2014/15. Cabinet has received updates on Welfare Reforms. This includes a suggested approach to the use of discretionary housing payments. Officers and A2D have been working with families affected by the benefit cap.	1. Service Heads/MAT to monitor staffing and other resource implications as appropriate.	MAT/Joint Heads of H & IL*	Requires Monitoring	There is a continual increase 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. Matters have been compounded further through Environmental Health standards not being fully complied with in the main bed and breakfast provider premises. There has been an associated increase of work with individual queries and those on their behalf from Councillors and the media. To try and mitigate this an "Advisor" was contracted to look at all options for the borough to invest in as well as look at good practice elsewhere. A number of options are now being pursued following Cabinet support for this approach and a further report with recommendations is due to be submitted to Cabinet. A proposal to obtain 20 affordable housing units at the Crooked Billet site (Staines) was agreed by Cabinet in December. In addition MAT are supportive of quickly filling any posts which become vacant in the Housing Options team and have agreed to a temporary additional resource.



**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
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RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	ACTIONS	OWNER SHIP	ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING	PROGRESS
	15.2 Introduction of Council Tax Support scheme will impact on resources.		The new council tax support scheme took effect from April 2013 and has generated a significant number of small council tax debts, which are difficult and time consuming to recover, impacting on resources.	<i>1. Service Heads/MAT to monitor staffing and other resource implications as appropriate.</i>	ACX (TC)	Ongoing Monitoring	CTS claimants have a lower collection rate of 53.8% (44.70%) and recovery is continuing across all areas. The Recovery policy has been approved at Cabinet on 30 September and has been rolled out to all staff with a view to stepping up recovery.
	16. Poor partnership governance arrangements	3	Review of strategic and internal partnerships undertaken. Partnership governance policy in place. Significant partnerships identified. Overview and scrutiny committee to periodically review partnerships. Insurance arrangements in place		MAT	Ongoing monitoring	
	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 that the authority engages with. Recovery and inspection of business properties is being strengthened to maximise collection/minimise losses for the Council	<i>Impact of new Business Rate arrangements on Council finances is under ongoing review.</i>	ACX (TC) *	Ongoing monitoring	
			An Economic Development Strategy has been prepared after consultation with various external bodies. Communication of the vision, proposed actions and measures of success is taking place.	<i>Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review.</i>	ACX (TC) * CS & EDO*	Ongoing monitoring	LGA funded adviser produced 3 reports on Key Account Management, Inward Investment and Visitor Numbers, with a number of recommendations having resourcing implications. These will be considered as part of 15-16 budget process

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
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	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) guidance on legislation and training to ensure compliance. The HR partnership with Runnymede has led to a reduction in professional HR support which could impact on the ability to identify and deal with employment law issues Equality and Diversity working group and training provided to all staff.		MAT/ Service Heads/ Head of HR*	Ongoing monitoring	The budget for a temporary Human Resources Officer has been secured until the end of March 2015 to help cover the professional HR workload. Professional Human Resources staff keep up to date with changes to employment and pensions legislation and report to Management Team and Members where changes are required
	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	The Council has updated its safeguarding policies and procedures. Staff and Members have received 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). SSCB carry out a Section 11 audit annually. The Children's Safeguarding and Adult at Risk Strategies were approved by Cabinet October 2013. From 2015 the Council will have statutory responsibility for safeguarding adults.		ACX (LB)/LSM*	Ongoing monitoring	
	20. Service delivery and planning difficulties due to reduction in Revenue Support Grant - 30 % reduction in spending / increase in income	3	Long term strategic/financial planning. Corporate Plan / priorities reviewed. Member engagement 'Towards a Sustainable Future' programme in place which has identified potential savings and additional sources of income.	<i>Towards a sustainable future programme to be delivered</i>	MAT	To be agreed with Cabinet	
<i>Identify alternative service delivery models</i>				Service Heads	Completed		

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
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	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.		Service Heads/ MAT	Ongoing monitoring	
	22. Poor return on long term investments /investments insecure in current climate	3	Treasury Management Strategy approved 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. Use a range of credit ratings and criteria recommended by Arlingclose. Regular monitoring and reporting of investment portfolio and returns achieved.		ACX (TC) *	Ongoing monitoring	The Council did better than budget by £129k for 2013-14. Outturn achieving an average rate of return of 5.12% on our core investment portfolio. Projection for current year is for outturn to be £150k better than budget.
	23. Forthcoming elections leading to possible political change and uncertainty particularly relating to current priorities and delivery of projects	3	Corporate Plan and priorities will need to be reviewed following any change in political direction. The impact on ongoing projects, resources and Service Planning will need to be assessed.		MAT	Ongoing monitoring	

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 3**

<b>RAG</b>	<b>RISK / CONSEQUENCES</b>	<b>LEVEL OF RISK</b>	<b>CONTROLS</b>	<b>ACTIONS</b>	<b>OWNER SHIP</b>	<b>ACTION DATE - Original (O) - Revised (R) / ONGOING MONITORING / REQUIRES MONITORING</b>	<b>PROGRESS</b>
	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. Fraud awareness training for staff and Members and leaflet issued. 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.		Service Heads/ MAT	Ongoing monitoring	A joint bid with Surrey County Council and a number of borough councils was submitted to the Department for Communities and Local Government for fraud funding to assist in the detection and prevention of fraud. This bid was successful (£550k). Corporate Governance are currently undertaking a review of the Constitution which will be taken to Full Council in April.

**\*KEY TO OFFICERS**

MAT - Management Team

Head of CS - Head of Customer Services, Linda Norman

Head of CG – Head of Corporate Governance, Michael Graham

Head of ICT – Helen Dunn

ACX (TC) – Terry Collier

Health and Safety Officer – Stuart Mann

ACX (LB) – Liz Borthwick

Head of S & L – Head of Sustainability and Leisure Services, Sandy Muirhead

Head of SS – Head of Streetscene, Jackie Taylor

ACX (LO) – Lee O’Neil

HoP&HS - Head of Planning and Housing Strategy, Heather Morgan

Head of AM & OS – Head of Asset Management and Office Services, Dave Phillips

Head of HR – Head of Human Resources, Jan Hunt

CM- Contract Managers

Joint Heads of H & IL – Joint Heads of Housing and Independent Living, Deborah Ashman and Karen Sinclair

LSM - Leisure Services Manager, Lisa Stonehouse

RRO – Risk and Resilience Officer, Nick Moon

CS & EDO – Community Safety and Economic Development Officer, Keith McGroary

**\*KEY TO RAG RATING**

- Actions outstanding
- Partially actioned/Requires monitoring
- Completed/Ongoing monitoring

**\*KEY TO TARGET DATES**

\* O = Original target date for assigned action

\* R = Revised target date for assigned action



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# Annual Audit Letter 2013/14

Spelthorne Borough Council

October 2014





## Contents

The contacts at KPMG in connection with this report are:

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### Report sections

- Headlines

### Appendices

1. Summary of reports issued
2. Audit fees

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tamas Wood, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 4448 330.





## Section one Headlines

**This report summarises the key findings from our 2013/14 audit of Spelthorne Borough Council (the Authority).**

**Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.**

**Our audit covers the audit of the Authority's 2013/14 financial statements and the 2013/14 VFM conclusion.**

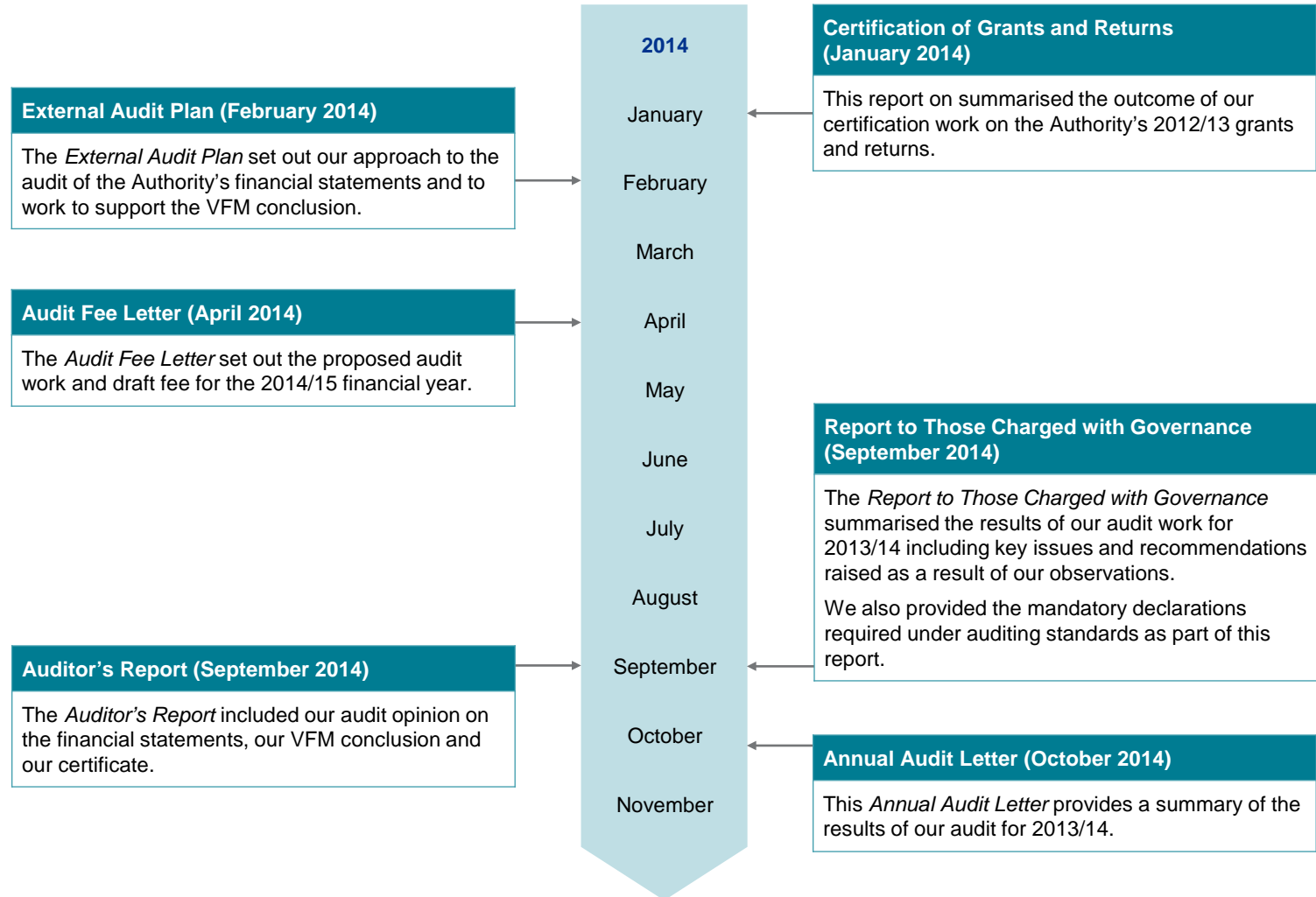
<b>Audit opinion</b>	We issued an unqualified opinion on your financial statements on 25 September 2014. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
<b>VFM conclusion</b>	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2013/14 on 25 September 2014. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.  To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.
<b>Financial statements audit</b>	Our audit identified three audit adjustments with a total value of £1.3m. The Authority amended its accounts for two of these with no impact on its net worth or General Fund balance. The unadjusted item was considered immaterial.
<b>Annual Governance Statement</b>	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
<b>High priority recommendations</b>	We raised no high priority recommendations as a result of our 2013/14 audit work.  As a result of the audit adjustments identified we raised one medium priority recommendation regarding the need for more detailed review of capital expenditure on existing assets to confirm whether it is enhancing them. This recommendation has been agreed with management.
<b>Certificate</b>	We issued our certificate on 25 September 2014.  The certificate confirms that we have concluded the audit for 2013/14 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
<b>Audit fee</b>	Our fee for 2013/14 was £64,170, excluding VAT. This is in line with the Audit Commission's scale fee. Further detail is contained in Appendix 2.



Appendices

**Appendix 1: Summary of reports issued**

This appendix summarises the reports we issued since our last *Annual Audit Letter*.







## Appendices

### Appendix 2: Audit fees

**This appendix provides information on our final fees for 2013/14.**

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2013/14 planned audit fee.

#### **External audit**

Our final fee for the 2013/14 audit of the Authority was £64,170. This compares to a planned fee of £63,270. The reason for this £900 variance was an increase in the Audit Commission's scale fee in respect of information contained in the NNDR3 return which was previously undertaken as part of grant certification work. The requirement to certify the NNDR3 return was removed in 2013/14.

#### **Certification of grants and returns**

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2013/14* which we are due to issue in January 2015.



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# Audit Committee

22 January 2015



<b>Title</b>	Interim Internal Audit Report		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Head of Audit Partnership (Deanna Harris)		
<b>Cabinet Member</b>	Councillor Tim Evans	<b>Confidential</b>	No
<b>Corporate Priority</b>	Value for money Council		
<b>Cabinet Values</b>	Accountability		
<b>Recommendations</b>	<b>The Audit Committee notes the Interim Internal Audit Report.</b>		

## 1. Key issues

- 1.1 Attached at Appendix 1 is a summary of Internal Audit work undertaken in the period April – November 2014.
- 1.2 Internal Audit is “*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*” In addition to the reviews carried out, Internal Audit assists the organisation in achieving its objectives through other aspects of its work at Spelthorne:
- (a) Advice provided to services and corporate groups on various risk and control issues
  - (b) Management of counter fraud initiatives
  - (c) Supporting corporate governance arrangements
  - (d) Non audit Investigations – the Audit team carries out investigations on behalf of management.
  - (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.

## 2. Options analysis and proposal

- 2.1 There are no options

**3. Financial implications**

3.1 Not applicable

**4. Other considerations**

4.1 Implementation of audit recommendations will assist in the reduction of risks faced by the authority.

**5. Timetable for implementation**

5.1 Not applicable

**Background papers:**

None

**Appendix 1: Summary of Internal Audit work April – November 2014**



Appendix 1 - Summary of Internal Audit work April – November 2014

Audit Review	Assurance Level*	Comments / Agreed areas for improvement
Insurance	Some Improvement Needed	<ul style="list-style-type: none"> <li>• Corporate Risk Management Group (CRMG) meetings need to be held more regularly</li> <li>• Action plans will be put in place to enable CRMG to monitor progress.</li> <li>• Opportunities to benchmark and share information will be explored.</li> <li>• The officer responsible for insurance reports to ACX (Lee O’Neil) for his Health and Safety role but to ACX (Terry Collier) for insurance functions. Service Planning and performance monitoring for the insurance functions should be managed by ACX (TC).</li> <li>• A system is required to identify and plan where inspections are required.</li> <li>• The officer responsible for insurance requires an up-to-date job description.</li> <li>• Payments relating to insurance should be approved by ACX (Terry Collier) and not by officers in ACX (Lee O’Neil) service.</li> <li>• A business continuity plan is required for insurance services.</li> <li>• A review of property valuations has been recommended.</li> <li>• An investigation is ongoing relating to the previous tender arrangements/outcome.</li> </ul>
ICT	Effective	<p>The audit covered:</p> <ul style="list-style-type: none"> <li>• IT Security policies</li> <li>• 3rd Party user access agreements – remote access</li> <li>• User access levels/rights starters and leavers</li> <li>• Physical security</li> <li>• Outstanding recommendations</li> </ul>
Parking	Some Improvement Needed	<ul style="list-style-type: none"> <li>• On-street income from Penalty Charge Notices:               <ul style="list-style-type: none"> <li>○ Requires regular monitoring by Finance.</li> <li>○ Write offs need appropriate approval.</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>• Pay by phone income should be reconciled by Finance.</li> <li>• Monitoring of season ticket income should be re-instated.</li> <li>• Debt registration had not been undertaken in 2013/14 and needs to be resumed.</li> <li>• Parking Service vehicle usage should be monitored.</li> <li>• Complaints are not logged centrally and responses are not monitored.</li> <li>• The Senior Car Park Administrator requires an up-to-date job description.</li> </ul>
Creditors	Some Improvement Needed	<ul style="list-style-type: none"> <li>• Purchase Orders should be raised at time of order not when invoices received.</li> <li>• Some authorising officers need greater understanding of what they are approving.</li> <li>• Purchases should not be made on personal credit cards.</li> <li>• Council credit card holders should not allow other staff to use cards.</li> <li>• Finance officers should review credit card expenditure and query purchases as necessary.</li> <li>• Business continuity arrangements should be tested.</li> </ul>
Community Safety	Some Improvement Needed	<ul style="list-style-type: none"> <li>• Health and Safety risk assessments need to be updated.</li> <li>• Secure network channels should be used for exchange of confidential information.</li> <li>• Job descriptions need to be updated.</li> <li>• Business continuity plan should be updated regularly and tested.</li> </ul>
Independent Living	Some Improvement Needed	<ul style="list-style-type: none"> <li>• Delivery notes should be signed.</li> <li>• The Business Continuity Plan needs should be updated and tested.</li> <li>• A formal performance management process needs to be implemented.</li> </ul>
Council Tax	Effective	<p>The audit covered:</p> <ul style="list-style-type: none"> <li>• Suppressed Accounts</li> <li>• Cash Handling</li> <li>• Recovery Process/Arrears</li> <li>• Write Offs</li> </ul>
Business Rates	Some Improvement Needed	<p>The audit covered:</p> <ul style="list-style-type: none"> <li>• Suppressed Accounts</li> <li>• Cash Handling</li> <li>• Recovery Process/Arrears</li> <li>• Write Offs – Staff reminded that write offs should comply with established write off policy</li> </ul>

		and be supported by standard documentation. All write offs should be submitted to relevant Manager and Head of Service for approval
Payroll/Human Resources	Some Improvement Needed	<ul style="list-style-type: none"> <li>• Whilst segregation of duties is difficult to achieve in a small team, the potential risks associated with the Payroll Officers both having system administrator access have been highlighted.</li> <li>• Evidence to be obtained of Disaster Recovery testing undertaken by the host authority (Tandridge Council). Management are considering adequacy of business continuity arrangements.</li> <li>• Mileage claims should be submitted promptly and in the correct financial year.</li> </ul>
Housing Benefits	Some Improvement Needed	<p>The audit covered</p> <ul style="list-style-type: none"> <li>• Follow up of previous recommendations</li> <li>• Overpayments</li> <li>• New Council Tax Support Scheme</li> <li>• Overpayment statistics should be updated/reviewed at regular intervals to ensure that outstanding arrears are being effectively managed</li> </ul>
Debtors	Some Improvement Needed	<ul style="list-style-type: none"> <li>• Suspense accounts should be cleared regularly</li> <li>• Recovery procedures should be reviewed</li> <li>• Ongoing risk of failure to invoice for income due/ need for reminders to all staff</li> </ul>
Customer Services	Some Improvement Needed	<ul style="list-style-type: none"> <li>• There is an ongoing resilience risk relating to the Head of Customer Services role.</li> <li>• Efficiency savings through the transfer of further functions to Customer Services should be explored.</li> <li>• Improved security measures were recommended.</li> <li>• Clarification over public liability cover required for hall bookings.</li> <li>• Need for corporate records of all complaints received/processed.</li> </ul>
Garden Waste	Some Improvement Needed	<ul style="list-style-type: none"> <li>• Audit has liaised with ICT to create a more efficient and effective database of garden waste customer records.</li> <li>• Customers should be encouraged to pay via direct debit for the service.</li> </ul>
Supporting families	Some Improvement Needed	<ul style="list-style-type: none"> <li>• The partnership agreement between 3 authorities needs to be finalised</li> <li>• Although Surrey County Council has verbally confirmed they will cover any redundancy costs if the scheme is discontinued, there is no formal agreement in place.</li> </ul>

		<ul style="list-style-type: none"> <li>• Responsibility for managing the scheme will need to be identified following organisational re-structure.</li> <li>• A joint risk assessment covering the 3 authorities has been recommended.</li> </ul>
Independent Electoral Registration		Internal Audit was unable to complete this work due to workload issues in Electoral Registration however, a risk assessment completed at Elmbridge will be shared with the team.
New Homes Bonus (NHB)	N/A	<ul style="list-style-type: none"> <li>• Accountancy will carry out checks on the accuracy of claims in future</li> <li>• It is acknowledged that NHB is currently supporting the revenue budget. This will need to be reduced over coming years as this funding will not continue indefinitely.</li> </ul>
Continuous Auditing - ongoing review of risks		Including: CRM (Customer Relationship Management system), Town centre developments, Ashford car park, Airport Parking and Laleham Park.
<b>In Progress</b>		
Main Accounting, Treasury Management, Office Services, Locata (Housing system) implementation and New Bank Contract tender/implementation		
Environment Services	Review in progress covering: Salix, energy, allotments, Waste Data flow and other risks identified with service management.	
Leases	Procedures have been reviewed. Some testing of lease income is in progress.	
Right to buy	Procedures in place to verify income is fully received from the Housing Association are currently under discussion.	
Elmsleigh Centre	The Council is the freehold owner of the centre. Further measures are required to strengthen the overall management of income and expenditure associated with the leasing of the centre. The ACX (TC) will be considering further.	
<b>Investigations undertaken in the following areas:</b>		
Council Tax refund		
Independent Living – unofficial funds		
Streetscene		
Council Tax - Student exemptions		



Knowle Green Office - theft of personal monies	
Sick records	
Insurance tender	
<b>Other work</b>	
Leisure Review	<ul style="list-style-type: none"> <li>• Review of Leisure Services was undertaken at the request of Assistant Chief Executive (Liz Borthwick).</li> <li>• Report has been issued to Management Team and relevant Portfolio Holders</li> </ul>
Corporate Risk Management	Internal Audit continues to co-ordinate the Corporate Risk Register and reports quarterly to Audit Committee.
Counter Fraud	<ul style="list-style-type: none"> <li>• All audit reviews consider fraud risks and a number of specific audits have been undertaken to identify fraud however, it remains the responsibility of management to ensure they have systems in place to prevent and detect fraud.</li> <li>• Frauds identified in other Councils are circulated to relevant staff to make them aware of risks.</li> <li>• Internal Audit initiated a joint bid (£540k) with Surrey and a number of other borough councils and this has been approved by the DCLG (Department for Communities and Local Government) for funding towards strengthening counter fraud initiatives across authorities. The Head of Audit is currently working with other boroughs and the County to ensure the funding is used effectively.</li> </ul>
Advice to management	<ul style="list-style-type: none"> <li>• MAT reports – advice given on governance, risk and control issues</li> <li>• Staffing / recruitment issues</li> <li>• Alternative service delivery options for several services</li> <li>• Towards a Sustainable Future programme</li> <li>• Project management</li> <li>• Significant procurements / disposal of Council assets</li> <li>• Policies and procedures eg recovery policy, system admin procedures, Treasury Management policy and PCI DSS (Payment Card Industry Data Security Standard) self-assessment</li> <li>• Attendance, advice and support to a number of internal working groups</li> </ul>
Misc	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Service Planning and Performance Management (Service, team and Audit staff)</li> <li>• Towards a Sustainable Future – review of Internal Audit service delivery models and saving identified</li> </ul>

	<ul style="list-style-type: none"> <li>• Exploring shared service opportunities with London Boroughs</li> <li>• Training</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>• Representative on Equalities and Diversity Group</li> </ul>
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<b>*ASSURANCE KEY</b>
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<p><b>Effective</b> - Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p>
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<p><b>Some Improvement Needed</b> - A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p>
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<p><b>Major Improvement Needed</b> - Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.</p>
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<p><b>Unsatisfactory</b> - Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.</p>
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**WORK PROGRAMME 2014 – 2015****AUDIT COMMITTEE – 11 DECEMBER 2014****Resolution Required****1. Work Programme**

- 1.1 This report covers the Work Programme for the remaining 2014/15 municipal year.
- 1.2 The Committee's terms of reference are set out at the front of the agenda.

**2. Current Work Programme**

- 2.2 Further meetings of this Committee have been scheduled in the Council's Diary for 2014 -15 on the following dates:-
- 11 December 2014 (meeting postponed to 22 January 2015)
  - 26 March 2015
- 2.4 Details of the Work Programme for the remainder of the year are as follows:

<b>22 January 2015</b>		
External Audit Annual Audit Letter	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate Head of Corporate Governance – Information Governance Assistant Chief Executive, Lee O'Neil – Performance Management	Updates as requested by Audit Committee
Internal Audit Interim Report	Head of Audit Services	Report
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

<b>26 March 2015</b>		
External Audit Plan	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates as requested by Audit Committee
Internal Audit Annual Plan	Head of Audit Services	Report
Anti-fraud, bribery and corruption Strategy	Head of Audit Services	Review
Confidential Reporting Code	Head of Audit Services	Review
Committee's Work programme for 2014/2015	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

- 2.6 Any topics identified during consideration of the business at this meeting, will need to be included in the above Work Programme.
- 2.7 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.
- 2.8 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.
- 2.9 Managers may be required to attend the Committee, 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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