

*Please reply to:*

Contact: Sam Nicholls  
Service: Corporate Governance  
Direct line: 01784 446240  
E-mail: s.nicholls@spelthorne.gov.uk  
Date: 18 March 2015

## **Notice of meeting**

### **Audit Committee**

**Date:** Thursday 26 March 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 22 January 2015 (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**

To receive a report from the Assistant Chief Executive (copy attached). 5 - 18

## **5. External Audit Plan**

To receive a report from the External Auditor (copy attached). 19 - 45

## **6. Certification of Grants and Returns**

To receive a report from the External Auditor on certification of grants and returns (copy attached). 46 - 51

## **7. Annual Internal Audit Plan - 2015/16**

To receive a report from the Head of Audit Services (copy attached). 52 - 56

## **8. Confidential Reporting Code**

To receive a report from the Head of Audit Services (copy attached). 57 - 65

## **9. Anti-Fraud, Bribery and Corruption Strategy**

To receive a report from the Head of Audit Services (copy attached). 66 - 71

## **10. Committee Work Programme 2015/16**

The Committee is requested to consider and approve its work programme for the forthcoming Municipal Year 2015/16 (copy attached). 72 - 74



**Minutes of the Audit Committee  
22 January 2015**

**Present:**

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

**Councillors:**

J.A. Dale

A.C. Patterson

D. Gohil

**Apologies:** Councillor D. Patel

**In attendance:** Michael Graham, Head of Corporate Governance

**14/15 Minutes**

The minutes of the meeting held on 18 September 2014 were approved as a correct record.

**15/15 Corporate Risk Management – Information Governance**

The Head of Corporate Governance presented an update to the Committee on the steps taken to mitigate the risks associated with the Council's Information Governance procedures.

The Head of Corporate Governance reported that in recent years the powers of the Information Commissioner's Office (ICO) had been increased and it now had the ability to make significant financial penalties against Local Authorities for breaching rules on the handling of personal data. He outlined that the indirect organisational and reputational costs for the Council involved in a breach would be significant as well as the direct costs resulting from any financial penalty which may be imposed, which is up to £500,000.

The Committee noted that the Council did not have dedicated staff resources in the area of Information Governance. It noted that in two borough councils, Surrey Heath and Guildford had a dedicated full-time role for information governance, which looked at the overall information systems and considered all aspects of data protection.

The Head of Corporate Governance outlined the actions that were being progressed. He explained that in response to this risk, the Information Governance Group (IGG) was created, which comprised Heads of Services and other relevant officers. He responded to questions relating to the content of the report including the information assets database and the council's data retention policies and the work undertaken to address those issues.

Although there was an absence of dedicated staff resources, the Head of Corporate Governance assured the Committee that progress had been made, if on a somewhat limited scale. He reported that the group had developed an action plan by way of issues log to ensure information governance risks were identified and managed and the actions were progressing towards the required standard. He explained that although he would prefer to have

## Audit Committee, 22 January 2015 - continued

dedicated resources sufficient steps had been taken in the right direction towards the required ICO standard.

**Resolved** to note the contents of the Information Governance report and the update from the Head of Corporate Governance.

**16/15 Corporate Risk Management – Performance Management**

The Committee received an update from the Assistant Chief Executive on the progress of the Council's performance management arrangements. The update circulated at the meeting outlined that, in light of the large number of performance indicators, listed in the Service Plans of individual Council services, a review had been undertaken to determine whether certain indicators were required and how they should be monitored and reported.

The Assistant Chief Executive explained that of the 134 indicators originally listed by services it was proposed to delete 23 indicators and the remainder to be divided into three categories, which include, Key Indicators, Internal Indicators and Milestones.

The Committee noted that a further update would be provided to the Audit Committee once these were finalised and formally agreed by the Performance Management Working Group.

**Resolved:**

- (1) To note the contents of the Review of Performance Indicators.
- (2) That the Assistant Chief Executive attend a future Audit Committee to provide and update on the work of the Performance Management Working Group.

**17/15 Corporate Risk Management**

The Internal Audit Manager reported that the Corporate Risk Register had undergone its regular quarterly review and update by the Corporate Risk Management Group 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 as well as the progress made on actions previously proposed.

The Internal Audit Manager highlighted progress in a number of areas which were documented on the register. She updated the Committee on the risk associated with a potential change in political direction, as the forthcoming elections could lead to political change and uncertainty. She explained that the impact of any change would need to be evaluated in terms of Council priorities /service delivery/ ongoing projects.

She also highlighted delays in coordinating aspects of Business Continuity Planning, resulting in plans not all being up to date or fully tested. She noted the risk presented by information governance and noted that more work needed to be achieved to mitigate the risks associated with data loss and data security. She further updated the Committee on the risks presented by the

## Audit Committee, 22 January 2015 - continued

delivery of the Towards a Sustainable Future project including the impact of delays in the programme, challenges to new sources of income, loss of key members of staff and capacity to deliver, which would require ongoing monitoring. The risks associated with poor governance arrangements were also raised and the ongoing importance of transparency and accountability in a changing local government environment were highlighted.

**Resolved**

- (1) To note the contents of the Corporate Risk Register.
- (2) To note the contents of the Corporate Risk Register and recommend it to Cabinet for approval.

**18/15 Annual Audit Letter**

The Committee considered the external auditors' annual audit letter which summarised the key findings from KPMG's 2013/14 audit of the Council. This included the audit of the Council's 2013/14 financial statements and the 2013/14 Value for Money (VFM) conclusion, on both of which KPMG issued an unqualified opinion.

The Committee noted that as a result of the audit adjustments identified KPMG identified one medium priority recommendation regarding the need for a more detailed review of capital expenditure on existing assets to confirm whether the Council is enhancing them. The Committee noted that this recommendation had been agreed by the Council's Management Team.

**Resolved** that the external audit annual audit letter for 2013/14 be noted.

**19/15 Interim Internal Audit Report**

The Head of Audit Services presented her report which summarised the work undertaken by Audit Services during the period April 2014 to November 2014 and provided the Council with assurance on the adequacy of its internal audit systems of control.

She reported on the successful DCLG fraud funding bid which Spelthorne, six other boroughs and the County had submitted. The aim of this fund is to strengthen and develop capacity across Surrey to help tackle non benefit fraud.

**Resolved** that the audit services interim report for the period April 2014 to November 2014 be noted and approved.

**20/15 Committee Work Programme 2014-15**

The Committee considered its Work Programme for the remainder of the 2014/2015 Municipal year.

The Head of Audit Services requested that Members submit to her any areas where they would like to see coverage in the Audit Plan due to be presented at the next meeting.

Audit Committee, 22 January 2015 - continued

**Resolved** that the Committee Work Programme for the remainder of the 2014/2015 Municipal year, be approved.



## Audit Committee

26 March 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/Internal Audit Manager- Punita Talwar		
<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) **Business Continuity** – During the course of various audit reviews 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 the 2014 flooding. 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. The Risk and Resilience Manager needs to take the lead in progressing the Business Continuity planning programme by providing corporate steer and guidance to services to assist in the regular updating and testing of business continuity plans.
  - (b) **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 such as impact of delays in the programme, challenges to new sources of income, loss of key members of staff and capacity to deliver. High level risks and issues have been identified as well as outline budget costs. Monitoring continues through the various programme and project management streams. There has been consideration of individual projects under the three work streams and additional resources have been made available within the Project

- Team. Management Team are considering the resource requirements for the Programme Manager to deliver the 'TSF' programme.
- (c) **Project management** – In addition to TSF, there is a requirement to deliver 32 other key Council projects. Local regeneration projects may also be added to the Councils project portfolio, depending on the success of match funding bids. An action has been added to the register, highlighting the need for Management Team to carefully assess capacity to deliver as well as revenue implications prior to approving any new projects.
  - (d) **Information Governance** – The Head of Corporate Governance attended the Audit Committee on 22 January to provide some background and plans to address associated risks. The Information Governance Group are addressing some actions to ensure information assets are identified and managed, to reduce the risks of data breaches, fines and reputational damage. However, the absence of dedicated resources needs to be acknowledged.
  - (e) **Procurement and Contracts** - The Procurement Board will be monitoring implications of the new UK Public Contract Regulations 2015, as well as implementation of the Local Government Transparency Code requirements (for procurement) which requires councils to publicise data on procurement spend over £500, as well as tendering processes, contracts and framework agreements exceeding £5k.
  - (f) **Fraud** - A successful DCLG fraud funding bid has resulted in £540k being made available to a partnership between Surrey County and seven boroughs. Spelthorne will receive £60k of this fund between January 2015 and March 2016, which is to be used to assist in the detection and prevention of non-benefit fraud. Funding will support housing (identifying fraudulent homeless and housing applications and tenancy fraud), business rates (investigating evasion and avoidance cases) and Corporate/miscellaneous frauds (arising from NFI data matching). Audit Services will co-ordinate the authority's use of DCLG funding and provide data to show the payback to Surrey and the DCLG. The Head of Audit Partnership has issued a separate report to Management team with specific details.

## 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 4**

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 March 2015

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

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	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 . Managers have a legal requirement to conduct regular risk assessments. Induction training.	Risk assessments for all Services are to be reviewed, and updated details entered onto the SHE system.	MAT/ All Service Heads	30 April 2015	Additional resource has been approved to assist Managers in conducting/updating health and safety risk assessments for their Services. 27.2.15 - <b>Awaiting update from SM.</b>
	2. Uncertainty surrounding the financial /economic/other consequences of contaminated land. Legal action against the Council.	4	Legal duty to inspect land and prioritise action. Documented records of all site investigations and assessments held. A separate risk assessment is held which is reviewed regularly. Reports issued to Management Team and Cabinet. The Contaminated Land Strategy will be approved by Cabinet		ACX (LO)*	Ongoing monitoring	
	3. Disaster- major in borough, e.g. flooding, resulting in significant strain on council services (eg homelessness).	4	Corporate Emergency Plan updated and approved November 2013. Membership of Local Resilience Forum (LRF). Regular testing of Emergency Assistance Centre plan. Borough Emergency Centre Plans. Incident management training and exercising. Payments for staff carrying out Emergency Planning roles agreed. Council has been part of a multi agency debrief to learn lessons and improve multi agency response via the Local Resilience Forum.	<i>Recommendations agreed by Cabinet relating to the flooding response are being progressed by Risk and Resilience Manager. The corporate emergency plan is being updated as normal {no major changes required}.</i>	ACX (RT)/ RRM (NM)*	30 April 2015	There are no updates since the last review. Recommendations arising from debriefs into previous flood responses are being processed. Meetings have taken place to coordinate efforts and to improve operational response with community groups.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	4. Failure to manage corporate and service performance / failure to meet Council objectives and targets (Performance Management)	3	The Corporate Plan should set out targets for the authority which should be monitored by Members and Management Team. Service performance should be monitored by Management Team. Individual performance is monitored through the appraisal process. Flagship project performance is reported to Management Team and Members. Performance Management Working Group has been established to improve monitoring arrangements. Updates have been provided to Cabinet and the Audit Committee.		MAT / ACX LO		
	5. Failure to align service objectives to corporate aims and priorities / Failure to deliver services effectively due to poor service planning	3	The Corporate Planning process should set out a clear vision for the authority and specific targets. Some services have statutory responsibilities. Individual Service Plans should be derived from the Council's Corporate Plan and statutory/other responsibilities. Plans incorporate resources, risks, workforce, significant projects and performance indicators.	<i>Service Plans are being prepared for 2015/16.</i>	Service Heads/MAT	31 March	
	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>1i. Asset Management is a corporate priority and many projects are asset related including developments in Staines Town Centre and Knowle 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. Proposed restructure (draft) for 2016
<i>1ii. Management team to consider limited capacity and revenue implications prior to approving additional / new projects.</i>				MAT	MAT to agree	32 projects are currently being tracked through the Project Office. It is also noted that £350k is held in the capital budget for local projects and opportunities for match funding are currently being explored. If successful, this would have implications for revenue costs as well as resourcing and management of additional projects.	

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
			2. Staines upon Thames - The Head of Planning and Housing strategy has been appointed full time until the end of 2015 as the Staines upon Thames regeneration manager with support from consultants.		Head of P&HS*	Ongoing monitoring	5 work streams have been fully defined and documented. A report went to Cabinet on 16th December 2014 regarding the Bridge Street site when a preferred developer was chosen (subject to contract).
			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. High level overview of each of the work streams. Knowle Green -Relocation and Redevelopment projects assigned. Project Initiation Documents approved. Cabinet approved proposals for Knowle Green project. Review underway of document retention and electronic data management systems.	<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. High level risks and issues have been identified as well as outline budget costs. Further work has been done to map out the individual projects under the three work streams and the Project Team has been expanded to assist in the delivery of the Programme. MAT are still considering the resource requirements for the Programme Manager 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. Personal Commitment statement required from staff. ICT security group assess ongoing risks. ICT disaster recovery test satisfactorily conducted March 2014. Information Governance Group meet regularly. Head of Corporate Governance is the Senior Information Risk Owner (SIRO).	<i>Information Governance Group pursuing action plan to ensure information assets are identified and managed.</i>	Head of CG *	31 May 2015	The Information Governance Group are addressing some actions, although the absence of dedicated resources needs to be acknowledged. The Head of Corporate Governance attended Audit Committee on 22nd January to provide an update on progress in each area.
				<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 2015	MAT will consider options from the work undertaken by the project team.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	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 2014. All Baseline Personnel Security Standard checks completed. CoCo re-accreditation achieved in January 2015. The Cabinet Office has increased security requirements due to the implementation of the Public Service Network (PSN).		Head of ICT *	Ongoing monitoring	
	9. Lack of business continuity planning to cover loss of building, equipment, ICT or staff - leading to loss or disruption to services	3	Business Continuity (BC) Policy . The BC Forum oversees progress of BC planning. All Services should have up to date and tested BC Plans. Business Impact Assessments identify priority services, resources required for their continuation and time frame. Emergency protocols for loss of building access/loss of power/loss of ICT are being developed. Emergency messaging system for staff. Live loss and denial of access exercise for Knowle Green took place Sept 2013. Improvements made to telephony resilience.	<i>The Risk and Resilience Manager to outline actions underway to update and test business continuity plans for all Services, as well as provide corporate steer and guidance.</i>	Service Heads/MAT/RM *	30 April 2015 (Revised). Action Outstanding	The Council's business continuity arrangements were tested in the February 2014 flooding when services were maintained. The Business Continuity Forum are progressing actions. Due to additional pressures, in particular flood recovery, community resilience and winter preparations, the business continuity planning programme has been delayed and in many Services plans have not been updated or tested. 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 documented and staff appropriately trained. Service Heads should review as part of the service planning process. Resilience may be provided from other local authorities or other organisations.	<i>MAT are reviewing structures as part of the budget saving exercise, and consideration will be given to resilience and succession planning arrangements.</i>	Service Heads/MAT		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**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	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 are accommodated by prioritisation and reallocating work amongst staff. Longer term impacts and changes to demand may be more difficult to address. Service review may be required to help match resources to the level of work. Resources need to be diverted to implementing new systems or introduce new ways of working. If resources cannot be enhanced, services will have to prioritise work to resources available. Staff have access to counselling via Occupational Health.	<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 and uncertainty due to organisational review. Increased risk of losing expertise and impact on services.	3	Employment arrangements in place include recruitment and selection, pay and rewards, training and development. Change Management process, 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	MAT maintaining under review . The Head of Human Resources advises MAT as appropriate.
				2. <i>A peer review took place January 2014 and an action plan has been developed.</i>	ACX LO	31 May 2015 Requires Monitoring	An action plan has been produced by Management Team in consultation with the Leader, which is being progressed. The key elements of the action plan are summarised in the conclusion of the Annual Governance Statement for 2014.



**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	13. Failure to comply with the Council's corporate governance requirements and standards resulting in poor value for money, Costly legal challenges and reputational damage.		Corporate Plan setting out clear purpose, vision and outcomes. Constitution setting out clearly defined roles/rules for Members/Officers. Code of Corporate Governance and Codes of Conduct to promote high standards of conduct and behaviour. Informed and transparent decision making processes open to scrutiny. Member and staff training programmes. Accountability through published accounts and community engagement. A review of the Constitution will be taken to Full Council in April.	<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 decisions. Contractual disputes and claims through poor specifications. Weak contract management resulting in Contractors/partners failing to deliver expected outcomes. Reputational damage and costly challenge by other companies. Financial loss/poor vfm as a result of poor contract management. Reliance on Legal for support on tendering processes/appointment	3	Contract Standing Orders set out tendering requirements. Officer Code of Conduct sets out requirement for declaration of interests. Contract guidelines with compliance checklist. Legal team provide support on contract management and major procurements. Contract management training held in 2012 and 2013. Specification writing training taken place. Procurement training In October 2014. Development of the e-procurement system continues and further contracts continue to be sourced with this solution which offers significant time savings and efficiencies for staff in Legal. Procurement Board meet regularly.	<i>1. Procurement, contract management and asset management expertise is limited across the authority and this is to be reviewed under the TSF programme. 1i. Procurement Board to monitor implications of the new UK Public Contract Regulations 2015 and implementation of the Local Government Transparency Code requirements.</i>	MAT ACX (TC)/ PS*	Requires Monitoring	1i. 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 are reviewing through TSF and organisational restructures.
				<i>2. There is limited horticultural expertise within Streetscene and therefore a risk that the Grounds Maintenance contract will not be effectively managed.</i>	ACX (LO)	Requires Monitoring	The Head of Streetscene has enrolled with a distance learning provider to take the RHS level 2 diploma exam. In the meantime the authority is drawing upon some of the knowledge provided by its contractors and existing employees.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	process of appointment of Contractors.			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	3. MAT are 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 changes. The authority faces some challenges in managing the loss of £500k per annum in subsidy (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 been fully complied with in the main bed and breakfast provider premises. 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.
	15.2 Introduction of Council Tax Support scheme will impact on resources.	3	The council tax support scheme has generated a significant number of small council tax debts, which are difficult and time consuming to recover, impacting on resources. Recovery policy applied.	2. Service Heads/MAT to monitor staffing and other resource implications as appropriate.	ACX (TC)	Ongoing monitoring	CTS claimants have a lower collection rate of 73% (65.60%) compared to 96.7% overall and recovery is continuing across all areas.

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	16. Poor partnership governance arrangements	3	Partnership governance policy. 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. 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	Some of the DCLG Fraud fund has been allocated to dealing with Business Rate avoidance cases during 2015/16.
			Economic Development Strategy is reviewed every three years. Communication of the vision, proposed actions and measures of success is taking place. Reporting to Economic Committee task group Members to advise on progress with action plans.	<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. This has been considered as part of 15-16 budget process. A growth bid has been approved as follows: - Inward Investment - £5k Stimulate economic Activity - £10k Magna Carta - £8k Staines-upon-Thames BID £32k SBF / Miscellaneous £16.5k Total - £71.5k  The creation of a new post of Economic Development Officer has been also been approved, this post including on-costs is £29.4k This gives a total of £100.9k

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	18. Failure to comply with employment legislation or statutory duty leading to possible compensation (unlimited), damage to reputation, Legal costs and significant officer time.	3	Human Resources (HR) identify changes in employment legislation, provide guidance and training to ensure compliance. Equality and Diversity working group and training provided to all staff.		MAT/ Service Heads/ Head of HR*	Ongoing monitoring	Professional HR support will continue to be available.
	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	Safeguarding policies and procedures. Staff and Member training. All referrals to Surrey County Council should be reported to a nominated Spelthorne Officer. Regular meetings held with Surrey County Council and consultation with the Surrey Safeguarding Children's Board (SSCB). Annual Section 11 audit. The Children's Safeguarding and Adult at Risk Strategies were approved by Cabinet October 2013. From 2015 the Council will have statutory responsibility for safeguarding adults.		ACX (TC)/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 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 and prepare business cases.</i>				Service Heads	Dates to be agreed	Service Heads are preparing business cases for alternative service delivery models, to be reviewed by Management Team.	
	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	

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
	22. Poor return on long term investments /investments insecure in current climate	3	Treasury Management Strategy approved annually by Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely. Council's investments managed internally in consultation with Arlingclose. Use a range of credit ratings and criteria recommended by Arlingclose. Regular monitoring ,reporting of investment portfolio and returns achieved.		ACX (TC) *	Ongoing monitoring	Projection for current year 14/15 is for outturn to be £175k 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	
	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.	<i>To ensure that the DCLG fraud fund is used appropriately and that each initiative is receiving a payback.</i>	Service Heads/ MAT/Head of AP/Head of CS/Head of H&IL	Requires monitoring	A successful DCLG fraud funding bid has resulted in £540k being made available to a partnership between Surrey County and 7 boroughs. Spelthorne will receive £60k of this fund (between January 2015 and March 2016).This fund is to be used to assist in the detection and prevention of non benefit fraud, focusing on housing (homeless and housing applications,tenancy fraud) business rates (evasion and avoidance),and Corporate/miscellaneous frauds. The Head of Audit Partnership issued a report to Management team. Audit Services will be coordinating progress in terms of payback.

**\*KEY TO OFFICERS**

MAT - Management Team

**SPELTHORNE BOROUGH COUNCIL - CORPORATE RISK REGISTER**  
**2014/15 QUARTER 4**

RAG	RISK / CONSEQUENCES	LEVEL OF RISK	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	ACTION DATE	PROGRESS / COMMENTS
-----	---------------------	---------------	----------	---------------------	----------------	-------------	---------------------

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  
 Head of AP - Head of Audit Partnership , Deanna Harris

**\*KEY TO RAG RATING**

- Actions outstanding
- Partially actioned
- Completed/Ongoing monitoring

**\*KEY TO TARGET DATES**

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

**Audit Committee****26 March 2015**

<b>Title</b>	External Audit Plan 2014-15		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Assistant Chief Executive		
<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 is asked to note the External Audit Plan 2014-15.</b>		



*cutting through complexity*

# External Audit Plan 2014/15

Spelthorne Borough Council

March 2015





## Contents

### The contacts at KPMG in connection with this report are:

#### Neil Hewitson

*Director*

*KPMG LLP (UK)*

Tel: +44 207 311 1791

neil.hewitson@kpmg.co.uk

#### Grant Slessor

*Manager*

*KPMG LLP (UK)*

Tel: + 44 207 311 3849

grant.slessor@kpmg.co.uk

#### Hashem Alawi

*Assistant Manager*

*KPMG LLP (UK)*

Tel: + 44 778 918 0269

hashem.alawi@kpmg.co.uk

### Report sections

	Page
■ Introduction	2
■ Headlines	3
■ Our audit approach	4
■ Key financial statements audit risks	11
■ VFM audit approach	12
■ Audit team, deliverables, timeline and fees	16

### Appendices

1. Independence and objectivity requirements	20
2. Quality assurance and technical capacity	21
3. Assessment of Fraud Risk	23
4. Transfer of Audit Commission's' functions	24

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.audit-commission.gov.uk](http://www.audit-commission.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 Neil Hewitson, 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, 1<sup>st</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 03034448330.



## Section one Introduction

This document describes  
how we will deliver our audit  
work for Spelthorne  
Borough Council.

### Scope of this report

This document supplements our *Audit Fee Letter 2014/15* presented to you in April 2014. It describes how we will deliver our financial statements audit work for Spelthorne Borough Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2014/15.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

### Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The Audit Commission will close at 31 March 2015. However our audit responsibilities under the *Audit Commission Act 1998* and the *Code of Audit Practice* in respect of the 2014/15 financial year remain unchanged.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to audit/review and report on your:

- *financial statements (including the Annual Governance Statement):* providing an opinion on your accounts; and
- *use of resources:* concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

The Audit Commission will cease to exist on 31 March 2015. Details of the new arrangements are set out in Appendix 4. The Authority can expect further communication from the Audit Commission and its successor bodies as the new arrangements are established. This plan restricts itself to reference to the existing arrangements.

### Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, including any key risks identified this year for the financial statements audit and Value for Money arrangements Conclusion.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM arrangements work
- Section 6 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

### Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

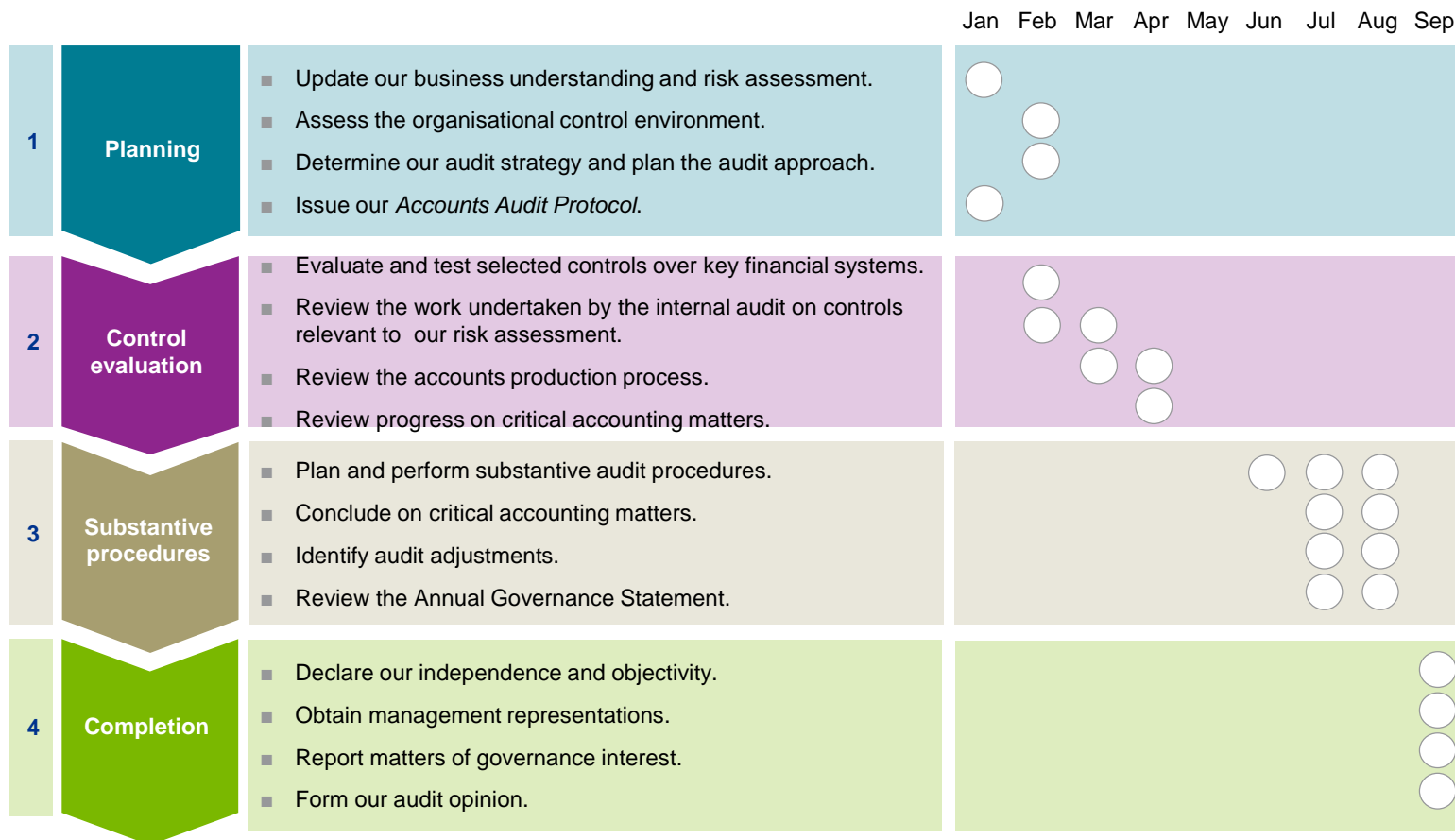
<p><b>Audit approach</b></p>	<p>Our overall audit approach remains similar to last year with no fundamental changes . Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with Assistant Chief Executive.</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
<p><b>Key financial statements audit risks</b></p>	<p>We have completed our initial risk assessment for the financial statements audit and have not identified any significant risks this year.</p>
<p><b>VFM audit approach</b></p>	<p>We have completed our initial risk assessment for the VFM conclusion and have not identified any significant risks at this stage. . However risk assessment process is an on going process. If we identify any new VFM risks during this on going process we will communicate that to you.</p>
<p><b>Audit team, deliverables, timeline and fees</b></p>	<p>We have refreshed our audit team this year. Neil Hewitson has replaced Tamas Wood as Engagement Lead and Hashem Alawi as replaced Catherine Fisher as Assistant Manager. Grant Slessor remains in post as Manager.</p> <p>Our main year end audit is currently planned to commence in July. Upon conclusion of our work we will again present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i>.</p> <p>The planned fee for the 2014/15 audit is £64,170. This is in line with the Audit Commission scale fee.</p>

## Section three Our audit approach

We undertake our work on your financial statements in four key stages during 2015:

- **Planning** (January to February).
- **Control Evaluation** (February to April).
- **Substantive Procedures** (June to August).
- **Completion** (September).

We have summarised the four key stages of our financial statements audit process for you below:





## Section three

## Our audit approach – planning (continued)

During January and February 2015 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

Our planning work takes place in January and February 2015. This involves the following aspects:

**Planning**

- Update our business understanding and risk assessment including fraud risk.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

**Business understanding and risk assessment**

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks including risk of fraud affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the finance team on a regular basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

**Organisational control environment**

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the relevant work of your internal auditors also informs our risk assessment.

**Audit strategy and approach to materiality**

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of professional judgement and is set by the Engagement Lead.

In accordance with ISA 320 (UK&I) '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. Information is considered material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Further details on assessment of materiality is set out on page 6 of this document.



Section three

**Our audit approach –planning (continued)**

**When we determine our audit strategy we set a monetary materiality level for planning purposes.**

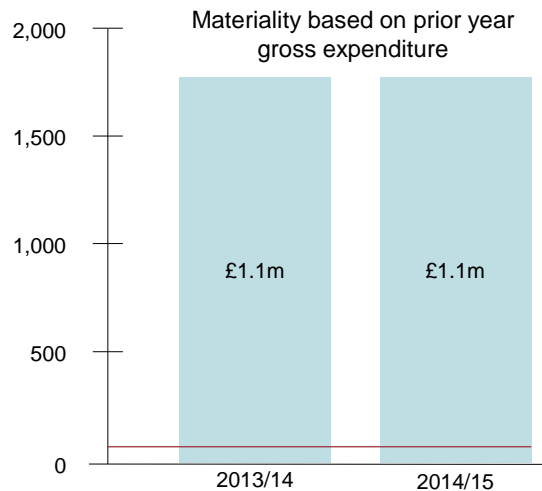
**For 2014/15 we have provisionally set this at £1.1 million based on the final audited accounts from the prior year (2013/14 £1.1 million).**

**We will report all audit differences over £57k to the Audit Committee.**

**Materiality**

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader’s perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.



Materiality for planning purposes has been set at £1.1 million which equates to 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

**Reporting to the Audit Committee**

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK&I) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 (UK&I), ‘Evaluation of misstatements identified during the audit’, requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £57k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



## Section three

**Our audit approach – planning (continued)**

**We will issue our *Accounts audit protocol* following completion of our planning work.**

**Accounts audit protocol**

At the end of our planning work we will issue our *Accounts Audit Protocol*. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.



## Section three

## Our audit approach – control evaluation

**During February to April 2015 we will complete our interim audit work.**

**We assess if controls over key financial systems were effective during 2014/15.**

**We work with your finance team to enhance the efficiency of the accounts audit.**

**We will report any significant findings arising from our work to the Audit Committee.**

Our on site interim visit will be completed during March 2015. During this time we will complete work in the following areas:

### Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

### Controls over key financial systems

We update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

### Review of internal audit

ISA (UK & Ireland) 610 (revised June 2013) 'Using the work of internal auditors' now prohibits the use of internal audit to provide direct assistance to external auditors and applies to all audits from 2014/15 onwards. As a result we are no longer able to rely on the work of Internal Audit to reduce our own audit testing. We have adapted our approach to ensure we comply with the new requirements. This means that we will continue to liaise with internal audit and review the findings from their programme of work for 2014/15. We will also consider any significant control deficiencies identified by internal audit and ensure that we take this into account where relevant to determine the nature of our audit work to ensure the risk is appropriately addressed

### Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

If there are any significant findings arising from our interim work we will present these to the Audit Committee in June 2015.





## Section three

## Our audit approach – substantive procedures

**During July to August 2015 we will be on site for our substantive work.**

**We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.**

**We also review the Annual Governance Statement for consistency with our understanding.**

**We will present our *ISA 260 Report to the Audit Committee in September 2015.***

Our final accounts visit on site has been provisionally scheduled for the period July to August. During this time, we will complete the following work:

### Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

### Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

### Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the Assistant Chief Executive in September 2015, prior to reporting to the Audit Committee in September 2015.

### Audit adjustments

During our on site work, we will meet with the Assistant Chief Executive on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

### Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are part of this.

We report the findings of our audit of the financial statements work in our *ISA 260 Report*, which we will issue in September 2015.



## Section three

## Our audit approach – other matters

**In addition to the financial statements, we also review the Authority's Whole of Government Accounts pack.**

**We may need to undertake additional work if we receive objections to the accounts from local electors.**

**We will communicate with you throughout the year, both formally and informally.**

### Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the audit work specified under the audit approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified audit approach for 2014/15 have not yet been confirmed.

### Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

### Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 17.

### Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement lead and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

### Confirmation statement

We confirm that as of February 2015 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



## Section four

# Key financial statements audit risks

**In this section we set out our assessment of the significant risks or other key areas of audit focus of the Authority's financial statements for 2014/15.**

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Appendix 3 covers more details on our assessment of fraud risk.

Our initial assessment has not identified any significant risks that are specific to the Authority.



## Section five VFM audit approach

Our approach to VFM work follows guidance provided by the Audit Commission.

### Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission’s *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing <b>financial resilience</b> .	The organisation has robust systems and processes to: <ul style="list-style-type: none"> <li>■ manage effectively financial risks and opportunities; and</li> <li>■ secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial governance</li> <li>■ Financial planning</li> <li>■ Financial control</li> </ul>
The organisation has proper arrangements for challenging how it <b>secures economy, efficiency and effectiveness</b> .	The organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> <li>■ achieving cost reductions; and</li> <li>■ improving efficiency and productivity.</li> </ul>	<ul style="list-style-type: none"> <li>■ Prioritising resources</li> <li>■ Improving efficiency and productivity</li> </ul>

## Section five VFM audit approach (continued)

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

### Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> <li>the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;</li> <li>information from the Audit Commission's VFM profile tool ;</li> <li>evidence gained from previous audit work, including the response to that work; and</li> <li>the work of other inspectorates and review agencies.</li> </ul>



Section five  
**VFM audit approach (continued)**

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> <li>■ considering the results of work by the Authority, inspectorates and other review agencies; and</li> <li>■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.</li> </ul>



Section five  
**VFM audit approach (continued)**

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We have completed our initial risk assessment and have not identified any risks to our VFM conclusion at this stage. We will update our assessment at year end. We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> <li>■ local savings review guides based on selected previous Audit Commission national studies; and</li> <li>■ update briefings for previous Audit Commission studies.</li> </ul> <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG’s quality control processes, to help ensure the consistency of auditors’ decisions.</p>
Reporting	<p>We have completed our initial VFM risk assessment and have not identified any key issues. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our <i>ISA 260 Report</i>. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority’s arrangements for securing VFM), which forms part of our audit report.</p>



Section six  
**Audit team**

Your audit team has been drawn from our specialist public sector assurance department. We have refreshed our audit team this year with Neil Hewitson replacing Tamas Wood as the Engagement Lead and Hashem Alawi replacing Catherine Fisher as Assistant Manager for the audit.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.



Neil Hewitson  
**Director**

“My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Audit Committee and Executive Directors.”



Grant Slessor  
**Manager**

“I am responsible for the management, review and delivery of the audit and for quality assurance for the audit work and specifically any technical accounting and risk areas.

I will work closely with Neil to ensure we add value. I will liaise with the Assistant Chief Executive and the Finance Team”



Hashem Alawi  
**Assistant Manager**

“I will be responsible for the on-site delivery of our work on the Authority’s financial statements.

I will liaise with the Finance Team and Internal Audit, I will also supervise the work of our audit assistants.”





## Section six Audit deliverables

Deliverable	Purpose	Committee dates
<b>Planning</b>		
<b>External Audit Plan</b>	<ul style="list-style-type: none"> <li>■ Outlines our audit approach.</li> <li>■ Identifies areas of audit focus and planned procedures.</li> </ul>	<b>March 2015</b>
<b>Control evaluation and Substantive procedures</b>		
<b>Report to Those Charged with Governance (ISA 260 Report)</b>	<ul style="list-style-type: none"> <li>■ Details the resolution of key audit issues.</li> <li>■ Communicates adjusted and unadjusted audit differences.</li> <li>■ Highlights performance improvement recommendations identified during our audit.</li> <li>■ Comments on the Authority's value for money arrangements.</li> </ul>	<b>September 2015</b>
<b>Completion</b>		
<b>Auditor's Report</b>	<ul style="list-style-type: none"> <li>■ Provides an opinion on your accounts (including the Annual Governance Statement).</li> <li>■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).</li> </ul>	<b>September 2015</b>
<b>Whole of Government Accounts</b>	<ul style="list-style-type: none"> <li>■ Provide our assurance statement on the Authority's WGA pack submission.</li> </ul>	<b>September 2015</b>
<b>Annual Audit Letter</b>	<ul style="list-style-type: none"> <li>■ Summarises the outcomes and the key issues arising from our audit work for the year.</li> </ul>	<b>November 2015</b>



## Section six Audit timeline

We will be in continuous dialogue with you throughout the audit.

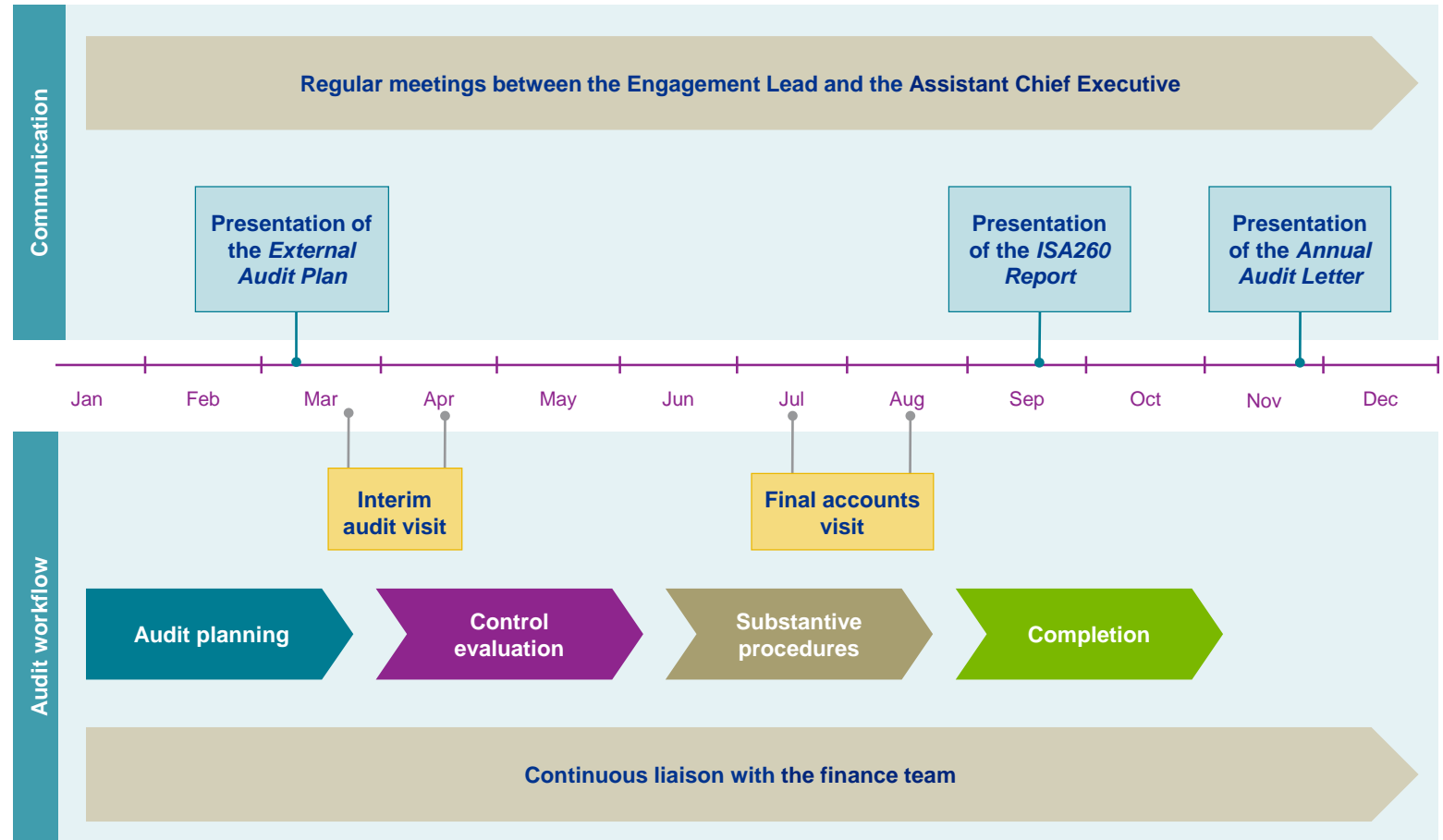
Key formal interactions with the Audit Committee are:

- March – External Audit Plan;
- September – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team throughout the year.

Our main work on site will be our:

- Interim audit visits during March.
- Final accounts audit during July and August.



Key: ● Audit Committee meetings.



## Section six

### Audit fee

**The fee for the 2014/15 audit of the Authority is £64,170 and is based on the latest Audit Commission scale fees available online.**

**Our audit fee remains indicative and based on you meeting our expectations of your support.**

**Meeting these expectations will help the delivery of our audit within the proposed audit fee.**

#### Audit fee

Our *Audit Fee Letter 2014/15* presented to you in April 2014 first set out our fees for the 2014/15 audit. The planned fee is based on the latest Audit Commission scale fees available online.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned audit fee for 2014/15 is £64,170. This is an increase on the 2013/14 scale fee to reflect additional work arising from changes to business rates.

#### Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2014/15;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2014/15* within your 2014/15 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

. Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Assistant Chief Executive



## Appendices

# Appendix 1: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

### Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.



Appendices

**Appendix 2: KPMG Audit Quality Framework**

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG’s Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG’s Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

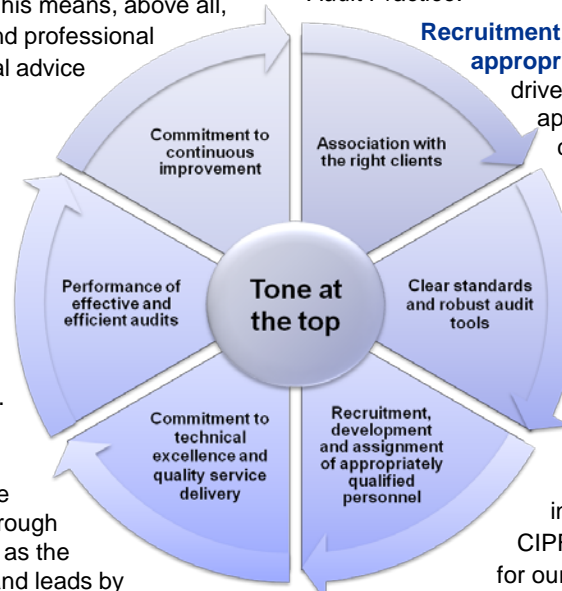
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

**Tone at the top:** We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Neil Hewitson as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

**Association with right clients:** We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

**Clear standards and robust audit tools:** We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG’s eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission’s *Code of Audit Practice*.



**Recruitment, development and assignment of appropriately qualified personnel:** One of the key drivers of audit quality is assigning professionals appropriate to the Authority’s risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission’s *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.



## Appendices

# Appendix 2: KPMG Audit Quality Framework

**We continually focus on delivering a high quality audit.**

**This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.**

**Quality must build on the foundations of well trained staff and a robust methodology.**

### **Commitment to technical excellence and quality service delivery:**

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

**Performance of effective and efficient audits:** We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

**Commitment to continuous improvement:** We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

### **Our quality review results**

We are able to evidence the quality of our audits through the results of Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014) showed that we are meeting the Audit Commission's overall audit quality and regularity compliance requirements.



Appendices

**Appendix 3 : Assessment of fraud risk**

**We are required to consider fraud and the impact that this has on our audit approach.**

**We will update our risk assessment throughout the audit process and adapt our approach accordingly.**

Members /Officers responsibilities

- Adopt sound accounting policies.
- With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
- Establish proper tone/culture/ethics.
- Require periodic confirmation by employees of their responsibilities.
- Take appropriate action in response to actual, suspected or alleged fraud.
- Disclose to Audit Committee and auditors:
  - any significant deficiencies in internal controls.
  - any fraud involving those with a significant role in internal controls.

KPMG’s identification of fraud risk factors

- Review of accounting policies.
- Results of analytical procedures.
- Procedures to identify fraud risk factors.
- Discussion amongst engagement personnel.
- Enquiries of management, Those Charged with Governance, and others.
- Evaluate controls that prevent, deter, and detect fraud.

KPMG’s response to identified fraud risk factors

- Accounting policy assessment.
- Evaluate design of mitigating controls.
- Test effectiveness of controls.
- Address management override of controls.
- Perform substantive audit procedures.
- Evaluate all audit evidence.
- Communicate to Audit Committee and officers

KPMG’s identified fraud risk factors

- We will monitor the following areas throughout the year and adapt our audit approach accordingly.
  - Revenue recognition.
  - Management override of controls.





## Appendices

**Appendix 4: Transfer of Audit Commissions' functions**

**The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commissions' regulatory and other functions.**

From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), established by the Local Government Association (LGA) as an independent company, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by DCLG). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for publishing the Commission's value for money profiles tool will also transfer to PSAA.

From 1 April 2015, the Commission's other functions will transfer to new organisations:

- responsibility for publishing the statutory Code of Audit Practice and guidance for auditors will transfer to the National Audit Office (NAO) for audits of the accounts from 2015/16;
- the Commission's responsibilities for local value for money studies will also transfer to the NAO; and
- the National Fraud Initiative (NFI) will transfer to the Cabinet Office.





*cutting through complexity™*

© 2015 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.



**KPMG LLP**  
**Public Sector Audit**  
15 Canada Square  
Canary Wharf  
London E14 5GL  
United Kingdom

Tel +44 (0) 207 311 6458  
Fax +44 (0) 207 311 6484  
DX 157460 Canary Wharf 5  
Tamas.Wood@kpmg.co.uk

Terry Collier  
Assistant Chief Executive  
Spelthorne Borough Council  
Knowle Green  
Staines  
TW18 1XB

Our ref TW/SBC/Cert/1314

13 February 2015,

Dear Terry,

### **Certification of claims and returns - annual report 2013/14**

The Audit Commission requires its external auditors to prepare an annual report on the claims and returns it certifies for each client. This letter is our annual report for the certification work we have undertaken for 2013/14.

In 2013/14 we carried out certification work on the housing benefits subsidy return. The final certified value of this return was £31,514,139.

### **Matters arising**

Our certification work identified three errors in our initial sample testing. These required additional testing to be conducted and while the return was submitted unamended we qualified our work on the basis of the matters identified.

We recommend that training is provided to benefits assessors to take note of the specific issues identified from our sampling testing and noted in our qualification letter. This is consistent with the recommendation raised in our report in the prior year. Further context is provided in Appendices 1 and 2.

ABCD

**KPMG LLP**

*Certification of claims and returns - annual report 2013/14*

13 February 2015,

**Certification work fees**

The Audit Commission set an indicative fee for our certification work in 2013/14 of £8,272. Our estimated fee (subject to Audit Commission approval) is £9,465 which is £1,193 higher than the indicative fee to reflect extra work arising from the issues identified.

This compares to the 2012/13 fee for this return of £10,090 (as amended to reflect Council Tax benefit work no longer being required) which was £1,886 higher than the indicative fee.

Yours sincerely

Tamas Wood  
Director

ABCD

*KPMG LLP*  
*Certification of claims and returns - annual report 2013/14*  
 13 February 2015,

**Appendix 1 – 2013/14 Certification of Claims and Returns Action Plan**

<b>Priority rating for recommendations</b>		
<p>❶ Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.</p>	<p>❷ Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p>	<p>❸ Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p>

<b>Number</b>	<b>Issue</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Comment/Responsible officer/Due date</b>
1	<p>The Housing and Council Tax Benefit return was qualified due to:</p> <ul style="list-style-type: none"> <li>• Typographical errors when entering income and rent;</li> <li>• Miscalculation of average weekly income</li> </ul> <p>If benefit claimants are not correctly assessed it will result in incorrect subsidy being received. Errors may also result in incorrect payments to claimants.</p>	<p>Training should be provided to benefit assessors, focusing on the issues identified as part of our certification work in 2013/14 and earlier years to strengthen the quality of claimant assessments and classification of overpayments.</p>	❷	<p>Housing Benefits Manager-we take on board the recommendations put forward in the report. As stated these were individual errors found which will unfortunately take place very occasionally due to the size and complexity of our caseload. We have a training and monitoring officer whose role it is to continuously train staff and check a proportion of work produced by staff. We will bear in mind these recommendations in relation to this person’s role and the workings of our department going forward.</p> <p>Immediate and ongoing</p>

ABCD

*KPMG LLP*  
*Certification of claims and returns - annual report 2013/14*  
13 February 2015,

ABCD

*KPMG LLP*  
*Certification of claims and returns - annual report 2013/14*  
 13 February 2015,

## Appendix 2 – Follow up of 2012/13 Certification of Claims and Returns Recommendations

Number	Prior year recommendation	Priority	Status as at February 2015
1	<p>The Housing and Council Tax Benefit return was amended and qualified due to:</p> <ul style="list-style-type: none"> <li>• failure to update a claim assessment for a change in non-dependants; and</li> <li>• incorrect application of the Local Housing Allowance.</li> </ul> <p>If benefit claimants are not correctly assessed it will result in incorrect subsidy being received.</p> <p>Errors may also result in incorrect payments to claimants.</p> <p>Training should be provided to benefit assessors, focusing on the issues identified as part of our certification in 2012/13 to strengthen the quality of claimant assessments and classification of overpayments.</p> <p>Training should be provided to benefit assessors, focusing on the issues identified as part of our certification in 2012/13 to strengthen the quality of claimant assessments and classification of overpayments.</p>	<p>②</p>	<p>While these specific failing attributes were not identified in 2013-14 further errors have been identified resulting as a result of incorrect input of information.</p> <p>We have re-raised this recommendation in Appendix 1.</p>

ABCD

**KPMG LLP**  
*Certification of claims and returns - annual report 2013/14*  
13 February 2015,

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.

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, who is the engagement leader to the Authority (telephone 0207 311 6458, e-mail [Tamas.Wood@kpmg.co.uk](mailto:Tamas.Wood@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail [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, 3rd 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 444 8330.



# Audit Committee

26 March 2015



<b>Title</b>	Annual Internal Audit Plan - 2015/16		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Head of Audit		
<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 is asked to note the Internal Audit Plan (2015/16).</b>		

## 1. Key issues

- 1.1 This report sets out the work planned by Audit Services during 2015/16 in order to fulfil its statutory and professional requirements.
- 1.2 Accounts and Audit Regulations require local authorities '*to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices*'.
- 1.3 Internal Audit is defined as "*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.*" (Public Sector Internal Audit Standards).
- 1.4 The audit planning process is set out below:
  - All auditable areas are identified (known as the 'Audit Universe'). These include:
    - Significant risks included in the Corporate Risk Register.
    - Financial risks/systems across the authority
    - Information governance and information security
    - Procurement processes and governance
    - ICT Security
    - Key Council projects
    - Fraud risks
    - Other risks identified in Service Risk Registers

- In establishing the internal audit resource requirement and priorities for 2015/16 consideration has been given to existing sources of assurance. These include existing management controls (first line of defence), corporate review and monitoring processes (second line of defence) and independent sources of assurance (third line of defence). This assurance mapping process helps to identify and focus internal audit resource requirements.
- Internal Audit will be introducing a new process whereby managers will be required to provide assurance that controls in their services are operating effectively. This should generate efficiencies for Internal Audit.
- In addition, work is prioritised and time allocated to each area which will be related to factors such as the value/volume of transactions, known system weaknesses, likelihood and impact of risks.
- The Annual Plan is reviewed on a regular basis and priorities will be changed according to perceived risks.

A copy of the Annual Internal Audit Plan Summary (2015/16) is attached at Appendix 1.

- 1.5 The Council's Management Team and other senior officers have been consulted during the audit planning process.
- 1.6 As previously reported, the Head of Audit will be retiring in July. The new Annual Audit Plan will be delivered with a lower level of resource:
- (a) Where possible reliance will be placed on other sources of assurance as set out above.
  - (b) External audit is no longer permitted to rely on the work of the Internal Audit and therefore planned work can be spread over longer periods and focussed on our own areas of perceived risk.
  - (c) Over time a risk based approach to auditing results in lower audit resource requirement.
  - (d) The Head of Audit's corporate responsibilities will be undertaken elsewhere in the organisation.

## **2. Options analysis and proposal**

- 2.1 There are no options

## **3. Financial implications**

- 3.1 N/A

## **4. Other considerations**

- 4.1 There are no further considerations

## **5. Timetable for implementation**

- 5.1 The Annual Audit Plan sets out work to be undertaken during 2015/16

### **Background papers:**

There are none

**Appendix:**  
Annual Internal Audit Plan – 2015/16.

## APPENDIX 1 – ANNUAL INTERNAL AUDIT PLAN 2015/16

Planned Audits - Assurance	Risk implications
Business Continuity Planning – service resilience arrangements	Service failure due to loss of staff/inadequate staffing, building, ICT or failure of key supplier/contractor
Emergency planning	Inadequate response to emergency leading to death or injuries, service failures, excessive costs, breakdown of relationship with public and other bodies and damage to the environment
Health and Safety	Death or serious injury, prosecution of Council/Officers and reputational damage
Information governance and security	Data breach leading to fines and reputational damage
Partnership governance	Outcomes not delivered, poor value for money and costly disputes.
Economic Development	Outcomes not delivered
Safeguarding	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. NB. From 2015 the Council will have statutory responsibility for safeguarding adults.
Financial <ul style="list-style-type: none"> <li>• Core financial systems</li> <li>• Service based financial systems</li> </ul>	Financial losses due to fraud, theft, poor value for money or error
ICT	Failure in service, data breach, fraud, theft, error, poor value for money through failure to use/ develop technology
Procurement / Contract management	Weak governance 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 value for money as a result of poor contract management.
Service Risk Management – All service risk registers will be reviewed and evidence obtained to confirm relevant controls are in place	Failure to manage service risks - leading to service failure, losses, injury/death and reputational damage
<u>Projects/issues:</u> <ul style="list-style-type: none"> <li>• Towards a Sustainable Future programme</li> <li>• Alternative service delivery</li> </ul>	Failure to deliver project outcomes within budget and deadlines

## APPENDIX 1 – ANNUAL INTERNAL AUDIT PLAN 2015/16

<p>models</p> <ul style="list-style-type: none"> <li>• Structure</li> <li>• Parking</li> <li>• CCTV</li> <li>• Performance management</li> <li>• Staines upon Thames developments</li> <li>• Property investments</li> </ul>	
<p><u>Fraud</u></p> <ul style="list-style-type: none"> <li>• DCLG Fraud fund – coordination of project with Surrey Counter Fraud Board</li> <li>• Fraud risk assessment</li> <li>• Fraud policies</li> </ul>	Financial losses and reputational damage
<p><u>Corporate/Other</u></p> <ul style="list-style-type: none"> <li>• Corporate governance review/ Annual Governance Statement</li> <li>• Advice and support to managers</li> <li>• Contingency</li> </ul>	N/A



# Audit Committee

26 March 2015



<b>Title</b>	Confidential Reporting Code (Whistleblowing Policy)		
<b>Purpose of the report</b>	To make a decision		
<b>Report Author</b>	Head of Audit Services		
<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 is asked to note the Confidential Reporting Code (Whistleblowing Policy) and to recommend any amendments if necessary.</b>		

## 1. Key issues

- 1.1 The Confidential Reporting Code forms part of the Council's Constitution and sets out how to raise serious concerns about any aspect of the Council's work. It also sets out legal protection against reprisals under the Public Interest Disclosure Act. The Code is attached as Appendix 1.
- 1.2 The Audit Committee is required to review the Code annually.
- 1.3 The Code details:
  - (a) The nature of concerns which may be reported.
  - (b) Other policies such as the Grievance Procedure which exist to deal with employment issues including bullying or sexual harassment.
  - (c) Safeguards against harassment or victimisation as a result of raising a concern.
  - (d) Processes for raising and dealing with concerns including the various officers and organisations who could be contacted.
- 1.4 The Code is available to staff and Members on the intranet and it is included in the Council's Constitution. A leaflet (Appendix 2) has been placed on every notice board.
- 1.5 There are no proposals to amend the Confidential Reporting Code.

## 2. Options analysis and proposal

- 2.1 There are no options

## 3. Financial implications

- 3.1 Not applicable

**4. Other considerations**

4.1 None

**5. Timetable for implementation**

5.1 Not applicable

**Background papers:**

**Appendices:**

**Appendix 1 – Confidential Reporting Code**

**Appendix 2 – Leaflet displayed on notice boards**



## CONFIDENTIAL REPORTING CODE (Whistleblowing)

### 1. INTRODUCTION

- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it expects staff and others that it deals with who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.
- 1.3 Staff are often the first to realise that there may be something seriously wrong within the Council. However, they may not raise their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern instead of reporting what may just be a suspicion of malpractice.
- 1.4 The adoption of this confidential reporting Code by the Council is intended to encourage and enable all staff to raise any serious concerns they have within the Council, rather than overlooking a problem or 'blowing the whistle' outside. The Code makes it clear that you can raise concerns on a confidential basis, without fear of victimisation, subsequent discrimination or disadvantage. It is based on the Public Interest Disclosure Act 1998, which gives staff raising concerns under its rules legal protection against reprisals.
- 1.5 The Code applies to all staff and contractors working for the Council on Council premises, including agency staff. It also covers suppliers and those providing services under a contract with the Council.
- 1.6 The procedures in this Code are in addition to the Council's existing Complaints Procedure.
- 1.7 This Code has been discussed with UNISON and the Transport and General Workers Union and has their support.

### 2. AIMS AND SCOPE OF THIS CODE

- 2.1 This Code aims to:
- encourage you to feel confident about raising serious concerns
  - encourage you to question practice and act upon any concern
  - provide clear channels for you to raise those concerns
  - ensure that you receive a response to concerns you raise and that you are clear about how to pursue them if you are not satisfied
  - reassure you that you will be protected from possible reprisals or victimisation if you raise a concern in good faith reasonably believing something is wrong.
- 2.2 The Council has a Grievance Procedure to enable you to lodge a grievance relating to your own employment and a Sexual Harassment Policy to enable you to raise any concerns about sexual harassment. This Confidential

Reporting Code is intended to cover major concerns you might have that fall outside the scope of other procedures. Such concerns might include:

- conduct which is an offence or a breach of law
- disclosures related to miscarriages of justice
- health and safety risks, including risks to the public as well as other staff
- damage to the environment
- the unauthorised use of public funds
- possible fraud and corruption
- sexual or physical abuse of clients, or
- other unethical conduct.

2.3 Any serious concerns that you have about any aspect of service provision or the conduct of ~~officers-staff~~ or ~~members-councillors~~ of the Council or others acting on behalf of the Council can be reported under the Confidential Reporting Code. This could be about something that:

- makes you feel uncomfortable in terms of your past experience or what you know about standards set by the Council; or
- is against the Council's Standing Orders and policies; or
- falls below established standards of practice; or
- amounts to improper conduct.

2.4 This Code does not replace the corporate complaints procedure.

### 3. SAFEGUARDS

#### Harassment or Victimisation

3.1 The Council is committed to good practice and high standards and wants to be supportive of staff.

3.2 The Council recognises that making the decision to report a concern can be difficult. If what you are saying is true, you should have nothing to fear because you will be doing your duty to the Council and those for whom you are providing a service.

3.3 The Council will not tolerate any harassment or victimisation (including informal pressures) of someone raising something of concern to them and will take appropriate action to protect you against this when you raise a concern in good faith.

3.4 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

### 4. CONFIDENTIALITY

4.1 All concerns raised will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.

## 5. ANONYMOUS ALLEGATIONS

- 5.1 This Code encourages you to put your name to your allegation whenever possible.
- 5.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.
- 5.3 In deciding whether to consider anonymous concerns the following are some of the factors which will be taken into account :
- the seriousness of the issues raised
  - the credibility of the concern; and
  - the likelihood of confirming the allegation from attributable sources

## 6 UNTRUE ALLEGATIONS

- 6.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you in accordance with the Council's disciplinary procedures.

## 7 HOW TO RAISE A CONCERN

- 7.1 As a first step, you should normally raise concerns with your immediate manager or their manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your management is involved, you should approach the Chief Executive, Chief Finance Officer, Monitoring Officer, or Audit Services.
- 7.2 Concerns may be raised verbally or in writing. If you wish to make a written report it is best to use the following format:
- the background and history of your concern (giving relevant dates);
  - the reason why you are particularly concerned about the situation.
- 7.3 The earlier you express your concern the easier it is to take action.
- 7.4 Although you are not expected to prove beyond doubt the truth of an allegation you make, you will need to demonstrate to the person you contact that there are reasonable grounds for your concern.
- 7.5 You can obtain advice/guidance on how to pursue matters of concern from:

Chief Executive	Roberto Tambini	(01784 446250)
Chief Finance Officer	Terry Collier	(01784 446296)
Monitoring Officer	Michael Graham	(01784 446227)
Head of Audit Services	Deanna Harris	(01784 446207)

- 7.6 In addition you could contact any of the following:-

The Chairman or Vice Chairman of the Members' Code of Conduct Committee: the Council has a Members' Code of Conduct Committee, the

purpose of which is to help the Council operate to the highest ethical standards. Both the Chairman and Vice-Chairman are non-councillors and can be approached for advice. Their details can be obtained from Committee Services on 01784 446240/444243 or found on the Council's web site; or

Public Concern at Work - This is a registered charity which seeks to ensure that concerns about serious malpractice are properly raised and addressed in the workplace and they can be contacted on 020 7404 6609; or

Your trade union or professional body.

7.7 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

7.8 You may invite your trade union, professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised.

## **8. HOW THE COUNCIL WILL RESPOND**

8.1 The Council will always respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

8.2 If you raise a concern with your manager which they feel is beyond the scope of their authority or of a serious nature they will refer it to the Monitoring Officer rather than dealing with it personally.

8.3 Where appropriate, the matters you raise may:

- be investigated by managers, audit services, or through the disciplinary process
- be referred to the police
- be referred to the external auditor
- form the subject of an independent inquiry.

8.4 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle for the Council is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example grievance or sexual harassment) will normally be referred for consideration under those procedures.

8.5 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

8.6 Within ten working days of a concern being raised, the manager with whom you raise your concern or the Monitoring Officer will write to you:

- acknowledging that your concern has been received
- indicating how the Council propose to deal with the matter
- giving an estimate of how long it will take to provide a final response
- telling you whether any initial enquiries have been made

- supplying you with information on staff support mechanisms, and
- telling you whether further investigations will take place and if not, why not.

8.7 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.

8.8 Where any meeting is arranged, which can be away from the offices or your place of work if you so wish, you can be accompanied by a union or professional association representative or a friend.

8.9 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.

8.10 The Council accepts that you need to be assured that the matter has been properly addressed and so, subject to legal constraints, will inform you of the outcome of any investigation.

## **9. THE RESPONSIBLE OFFICER**

9.1 The Council's Monitoring Officer has overall responsibility for the maintenance and operation of this Code. That officer will maintain a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Council.

## **10. HOW THE MATTER CAN BE TAKEN FURTHER**

10.1 This Code is intended to provide you with clear channels within the Council to raise concerns and the Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- Public Concern at Work
- the Council's external auditor
- your trade union
- your local Citizens Advice Bureau
- relevant professional bodies or regulatory organisations
- the police.

10.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with the contact point about that.



# Worried that something may be going seriously wrong in your

## Workplace?

### Not sure who you can talk to?

Under our Confidential Reporting Code (whistleblowing policy), if you do not feel able to raise it with your line manager, you can talk in confidence to a number of officers. Please refer to the Confidential Reporting Code on our website:

[www.spelthorne.gov.uk/constitution/confidentialreporting.pdf](http://www.spelthorne.gov.uk/constitution/confidentialreporting.pdf)

You can also obtain advice/guidance on how to pursue matter of concern from:

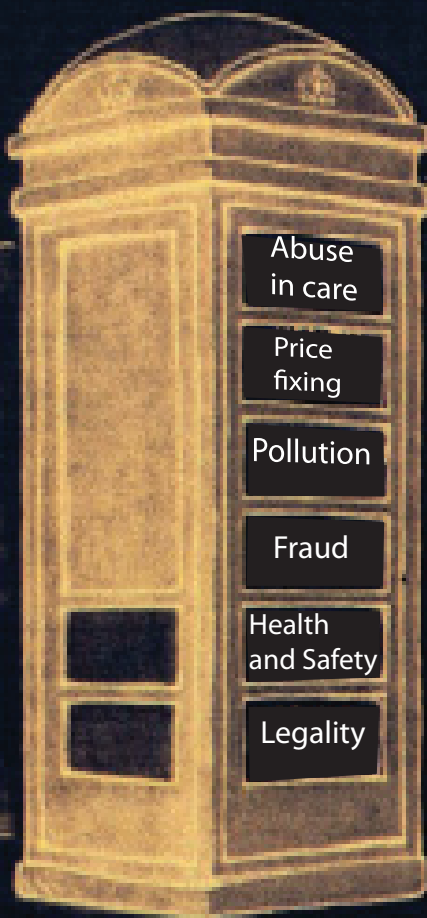
Chief Executive **Roberto Tambini** on 01784 446250

Chief Finance Officer **Terry Collier** on 01784 446296

Monitoring Officer **Michael Graham** on 01784 446227

Head of Audit Partnership **Deanna Harris** 01784 446207

You can also call the charity - **Public Concern at Work** for independent and confidential advice.  
Tel: 0207 404 6609







# Audit Committee

26 March 2015



<b>Title</b>	Anti-Fraud, Bribery and Corruption Strategy		
<b>Purpose of the report</b>	To make a decision		
<b>Report Author</b>	Head of Audit Services		
<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>	<p><b>The Audit Committee is asked to:</b></p> <ol style="list-style-type: none"> <li><b>1. Endorse the Council's Anti-Fraud, Bribery and Corruption Strategy.</b></li> <li><b>2. Note the Council's position regarding CIPFA's Code of Practice on managing the risk of fraud and corruption.</b></li> </ol>		

## 1. Key issues

1.1 The Audit Committee is required to review the Council's Anti-Fraud, Bribery and Corruption Strategy annually and to make any recommendations for change to the Cabinet. No changes are proposed.

1.2 The Chartered Institute of Public Finance and Accountancy (Cipfa) has recently issued a Code of practice on '*Managing the risk of fraud and corruption*' and this has highlighted that leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations.

1.3 The five key principles of the code are set out below:

1. *Acknowledge the responsibility of the governing body for countering fraud and corruption*
2. *Develop an appropriate counter fraud and corruption strategy*
3. *Take action in response to fraud and corruption.*

Spelthorne's position: Principles 1-3 are covered by the Council's Anti-Fraud, Bribery and Corruption Strategy.

4. *Provide resources to implement the strategy*

Spelthorne's position – Service managers are the first line of defence to minimise the risk/detect fraud and it is their responsibility to operate appropriate control systems. The Council has a small resource within Internal

Audit to investigate fraud and funding (£60k) has recently been obtained from the Department of Communities and Local Government through a joint bid with six boroughs and the County Council to tackle non-benefit fraud during 2015/16. The Council's position with regard to the funding of fraud detection/investigation beyond 2016 will need to be considered further.

5. *Identify the fraud and corruption risks*

Spelthorne's position – Managers are responsible for identifying fraud and corruption risks in their services, and for operating systems of control to prevent and detect fraud. Internal Audit provides independent assurance that effective controls are in place to mitigate the risk of fraud.

**2. Options analysis and proposal**

2.1 There are no options.

**3. Financial implications**

1.1 There are none

**4. Other considerations**

5. There are none

**6. Timetable for implementation**

There are none

**Background papers:**

**Appendix:  
Anti-Fraud, Bribery and Corruption Strategy**

## Part 5 section (f)

**ANTI FRAUD, BRIBERY AND CORRUPTION STRATEGY****Introduction**

1. The Borough of Spelthorne is committed to providing a high standard of service and accountability. An important aspect of this is a strategy which protects against fraud, bribery and corruption within the Council itself and from external sources.

In this context

Fraud means - the illicit gaining of cash or other benefit by deception; and

Corruption means - the dishonest influencing of actions and decisions.

Bribery means – the offering, giving or soliciting of an inducement or reward which may influence a person to perform a function or activity improperly.

2. The Council recognises that it is already subject to a high degree of external scrutiny of its affairs by a variety of parties. This includes the general public, Council Tax / Business Rates payers, service users, the Audit Commission, the Local Government Ombudsman, Central Government, in particular, HM Revenue and Customs, the Department for Communities and Local Government and ~~the Department for Work and Pensions and the Government Office for the South East [GOSE].~~
3. It also has external auditors who advise whether the Council has in place adequate arrangements for the prevention and detection of fraud, bribery and corruption.
4. While this external scrutiny assists in protecting against fraud, bribery and corruption the Council believes a clear statement of its own strategy is needed.
5. The key elements of the Council's strategy to combat fraud, bribery and corruption are:
  - An open and honest culture
  - Adequate preventative measures
  - Systems for detection and investigation
  - Understanding and awareness within the Council and the adoption of a "whistleblowing" policy

**Culture**

6. The Council expects Members and staff at all levels to behave with integrity and propriety and to act within the law and the regulations, procedures and practices laid down in relation to the conduct of the Council's business. The

Council believes this is achieved best through the promotion of an atmosphere of honesty and openness.

7. The Council encourages Members and staff to raise any concerns they have about fraud, bribery and corruption immediately they occur. It will treat all concerns raised, seriously and in confidence.

8. The Council has three senior officers who have particular responsibility for regulating the conduct of the Council and its activities. These are:

Chief Finance Officer (currently Terry Collier)	Responsible for the financial management, audit and financial probity of the Council and also for its proper personnel policies and practices.
---	--

Monitoring Officer (currently Michael Graham)	Responsible for the legal probity and avoidance of maladministration or injustice by the Council.
---	---

Chief Executive (currently Roberto Tambini)	Responsible as Head of Paid Service for the overall management and direction of the Council and for ensuring adequate staff resources for services.
---	---

9. In addition each Head of Service has responsibility for the proper organisation and conduct of their service area.
10. Concerns should be raised with any of the above officers or with the Council's Head of Audit Services (currently Deanna Harris).
11. More detailed guidance and advice on how to raise any concerns is contained in the Council's whistleblowing policy.
12. If anyone feels they are unable to raise their concerns through any of the above routes they may contact 'Public Concern at Work' (0207 404 6609), a registered charity whose services are free and strictly confidential.

## Prevention

13. The adoption of proper and adequate measures to prevent fraud, bribery and corruption is the responsibility of Members, Chief Executive, ~~Assistant Deputy~~ Chief Executives, Heads of Service and other managers. Preventative measures can be classified under two broad headings - Codes/Procedures and Systems.

### 1. Codes/Procedures

All Members and staff need to be aware of, and have ready access to, the Council's agreed policies and procedures eg. Financial Regulations,

Standing Orders, Codes of Conduct, and any relevant practice and procedure documents.

In particular staff must observe the Council's Code of Conduct for Staff (a copy of which is made available to all staff) and any relevant professional codes.

References will be taken up for all permanent and temporary staff to verify their suitability, honesty and integrity.

Members will in particular observe the Spelthorne code of conduct adopted on the 27 June 2012 and any other local Spelthorne code which may be adopted and will be supplied with a copy of any relevant code and advised of their responsibilities.

## 2. Systems

The Council has and will maintain in place systems and procedures which incorporate internal controls, including adequate separation of duties to ensure that, as far as possible, errors, fraud, bribery and corruption are prevented.

The Chief Finance Officer has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs. Financial procedures detail key financial systems and provide guidance which underpins the Council's Financial Regulations.

Chief Executive, ~~Assistant Deputy~~ Chief Executives, Heads of Service and managers are responsible for ensuring that appropriate internal controls are properly maintained.

A detailed analysis of the risks associated with any service should be carried out by managers (with assistance from Audit Services as necessary) to ensure that fraud, bribery and corruption is minimised.

### Detection and investigation

14. Concerns should be reported to one of the individuals referred to in paragraphs 8 to 10 above or in accordance with the Council's whistleblowing policy. A detailed investigation of any concerns raised will be undertaken with the assistance of the Council's Internal Audit Service.
15. The Council will deal with any instances of fraud or corruption swiftly. Disciplinary action will be taken if appropriate after the police have been informed/involved, and the relevant Cabinet Member informed where necessary. Where the Council has adopted a prosecution policy for any business area (eg Housing Benefit Fraud) this will be followed.
16. In the event that fraud is suspected on the part of contractors' employees or internally, by staff involved in agency or contract work on behalf of other bodies, procedures and responsibilities for reporting and initial investigation

are the same as for staff. The Council will inform and involve employing contractors or agencies when appropriate.

17. Given the significance of benefit fraud in national and local statistics, the Council recognises the important role of its Benefit Fraud Investigation team in preventing and detecting benefit fraud. The Council will continue to support this function where working methods, resources and participation in national initiatives are under constant review.

### **Awareness**

18. The Council recognises the continuing effectiveness of the Anti Fraud, Bribery and Corruption Strategy depends largely on the awareness and responsiveness of Members and staff. It is essential that both Members and staff are made aware of the strategy when they join the Council and receive a copy for inclusion in their personal records and, in addition, have ready access to all other relevant documents, policies and procedures which regulate the Council's activities. Action will be taken on a regular basis to remind both Members and staff of the importance the Council places on avoiding and preventing fraud and corruption.

## WORK PROGRAMME 2014 – 2015

### AUDIT COMMITTEE - 26 MARCH 2015

#### Resolution Required

#### 1. Work Programme

- 1.1 This report covers the Work Programme for the forthcoming 2015/16 municipal year.
- 1.2 The Committee's terms of reference are set out at the front of the agenda.

#### 2. Current Work Programme

- 2.1 This is the last meeting of the Committee scheduled for the municipal year 2014/15.
- 2.2 Meetings of this Committee have been scheduled in the Council's Diary for 2015 -16 on the following dates:-
- 2.3 Details of the Work Programme for the next meetings are as follows:

<b>June 2015</b>		
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate <u>Performance Management</u> – Assistant Chief Executive – Lee O'Neil	Updates on target dates missed
Audit Services Annual Report	Head of Audit Services	Report
Committee's Work Programme 2015-16	Head of Audit Services/ Assistant Chief Executive /Audit Committee	Report

<b>September 2015</b>		
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Annual Governance Statement	Chief Finance Officer	Approval
External Audit report on Audit and Statement of Accounts	External Audit	Report
Report on The Effectiveness of the System of Internal Audit	Head of Audit Services	Report
Anti-fraud, corruption and bribery policy	Head of Audit Services	Review

Annual Governance Statement	Chief Finance Officer	Report
Committee's Work programme for 2015/2016	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

<b>December 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	Updates as requested by Audit Committee
Internal Audit Interim Report	Head of Audit Services	Report
Confidential Reporting Code	Head of Audit Services	Review
Committee's Work programme for 2015/2016	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

<b>March 2016</b>		
External Audit Plan	External Audit	Report
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Internal Audit Annual Plan	Head of Audit Services	Report
Committee's Work programme for 2016/2017	Head of Audit Services/ Chief Finance Officer/Audit Committee	Report

- 2.4 Any topics identified during consideration of the business at this meeting, will need to be included in the above Work Programme.
- 2.5 Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee, may be included in the Work Programme.
- 2.6 External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Work Programme or appear on the agenda as appropriate.
- 2.7 Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not implemented the recommendations of the Head of Audit Services. It is not possible to predict these circumstances but they will be dealt with as and when they arise either by incorporating into the Work Programme or appearing on the agenda as appropriate.



**3. Resolution**

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

**Contact: Deanna Harris, Head of Audit Services (01784) 446207**

**Report Author: Samuel Nicholls, Committee Manager (01784) 446240**

