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Date: 17 July 2019

Notice of meeting

Audit Committee

Prior to the meeting, members of the Committee are invited to attend a training session commencing at 7.00pm.

Date: Thursday, 25 July 2019

Time: 8.30 pm

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

To the members of the Audit Committee

Councillors:

J.R. Sexton (Chairman)
C. Barnard (Vice-Chairman)
S. Buttar

J.H.J. Doerfel
A.C. Harman
L. Nichols

V. Siva

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose

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

Core Functions

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

AGENDA

Page nos.

- | | | |
|-----------|---|------------------|
| 1. | Apologies
To receive any apologies for absence. | |
| 2. | Minutes
To confirm the minutes of the meeting held on 21 May 2019 as an accurate record. | 5 - 6 |
| 3. | Disclosures of Interest
To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members. | |
| 4. | Corporate Risk Management
To note the report by the Internal Audit Manager and recommend the Corporate Risk Register to Cabinet for approval. | 7 - 20 |
| 5. | Annual Internal Audit Work Summary 2018/19
To receive a report by the Internal Audit Manager. | 21 - 74 |
| 6. | Review of Internal Audit Charter
To receive a report by the Internal Audit Manager. | 75 - 90 |
| 7. | Annual Governance Statement
To consider and approve the Annual Governance Statement for 2018/19. | 91 - 102 |
| 8. | Update from BDO, External Auditors
To receive a short verbal update from Janine Combrinck, Director RI/Public Sector Assurance, BDO LLP. | |
| 9. | Committee Work Programme
To consider and approve the work programme for the municipal year | 103 - 104 |

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**Minutes of the Audit Committee
21 May 2019**

Present:

Councillor C. Barnard (Vice-Chairman)

Councillors:

S. Buttar	H. Harvey	V. Siva
J.H.J. Doerfel	L. Nichols	

Apologies: Councillor J.R. Sexton

148/19 Appointment of Chairman

It was proposed by Councillor C. Barnard and seconded by Councillor S. Buttar and

Resolved that Councillor J.R. Sexton be appointed Chairman of the Audit Committee for the forthcoming municipal year 2019/20.

149/19 Minutes

The minutes of the meeting held on 28 March 2019 were approved as a correct record.

150/19 Appointment of Vice Chairman

It was proposed by Councillor H. Harvey and seconded by Councillor S. Buttar and

Resolved that Councillor C. Barnard be appointed Vice-Chairman of the Audit Committee for the forthcoming municipal year 2019/20.

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Audit Committee

25 July 2019



Title	Corporate Risk Management		
Purpose of the report	To note		
Report Author	Internal Audit Manager, Punita Talwar		
Cabinet Member	Councillor Tony Harman	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	The Audit Committee is asked to note the report and recommend the Corporate Risk Register to Cabinet for approval.		
Reason for Recommendation	Cabinet has oversight of the Council's management of risk.		

1. Key issues

- 1.1 The Corporate Risk Register ensures the Council's significant risks are identified, managed and monitored. A risk is the chance of something happening or not happening that will have an influence upon the achievement of an organisations objectives. Risks may include failure to not seek positive opportunities.
- 1.2 The Register continues to highlight the direction of travel in implementing risk mitigating actions, ascertained from the status of actions previously recommended/identified. The narrative in the 'Progress' column supports the Red/Amber/Green (RAG) status granted and outlines developments where appropriate. In some areas new risk mitigating actions have been highlighted, which require monitoring. Overall positive progress has been made in a number of areas albeit some actions have not been fully implemented and/or are ongoing. There are currently no risk categories to which a red status has been assigned. Management Team has reviewed the Corporate Risk Register (**Appendix 1**).
- 1.3 There are some risk categories where accountable officers have not responded in terms of providing updates on progress in implementing risk mitigating actions (reminders have been issued). These have been highlighted in the progress column. Where the Internal Audit Manager is aware of developments these have been recorded, however this is not ideal as it is the responsibility of accountable officers to advise on the status of all actions, as this encourages ownership for perusal of actions. The Chief Executive may wish to reiterate to all Managers the importance of providing

responses, given that the Council's Corporate Risk Register represents the Council's most significant risks and is regularly reported to MAT, Audit Committee and Cabinet.

1.4 The most significant risks to be highlighted at this review for consideration by Management Team , Audit Committee are set out at 1.4 (a) to 1.4 (d) below:

- (a) **Project Governance (4)** - Management are addressing the improvement actions from the recent internal audit review of Project Governance arrangements (May 2019) to enhance control processes and governance arrangements. A revised document template has been circulated incorporating several control stages such as Project Initiation, key considerations, and a business case. This will be a requirement for every project going forward and the Project Steering Group will continue to have visibility, providing oversight and support to Project Managers as appropriate.
- (b) **Procurement (11a)** - The interim Procurement Manager is leading on establishing and implementing revised Procurement processes. Linkages between project governance and procurement continue to be integrated into corporate processes to ensure alignment. The Head of Corporate Governance attended Audit Committee in March to provide an update on proposed changes and actions being taken. In addition it would be timely to consider the recent internal audit recommendations so that they can be incorporated into the current change programme/implementation plans.
- (c) **Acquisitions and Investments (15)** - Governance processes continue to be enhanced in this area. The Council approved the Capital Strategy in February 2019 and the first internal officer quarterly review of the Capital Strategy and associated action plan has been undertaken to reflect new development proposals coming forward and progress on the Asset Management Action Plan. The next review will consider further development of performance indicators. Continued strengthening of procurement and project management (see 1.3 a and b above) will also ensure that the Council can effectively deliver the projects and developments set out in the Capital Strategy. The Development and Improvement Group (DIG) receives timely updates on rental income collected on the Council's commercial investment assets which have been very positive. The procurement of a new Property Management System that enables the Property Manager to effectively manage Spelthorne's complete property portfolio (investment, community, commercial and residential properties) has been completed. The 'go live' implementation is anticipated for December 2019 and a project has been set up to support implementation of the new software system.
- (d) **Environmental risk (20)** A new risk category has been included on the Corporate Risk Register relating to Environmental risk giving reference to climate change implications and setting out the sustainability measures Spelthorne are taking to demonstrate social responsibility in response to this significant global threat.

1.5 Several new risk mitigating actions underway or for perusal have been recorded on the risk register, relating to:

- Health and Safety – risk category 1 (Corporate Risk Management Group and additional resource)
- Strategic Planning & Performance – risk category 3 (A new Corporate Plan)
- Information Governance - Technological measures – risk category 5b - (Annual ICT Disaster recovery test)
- ICT Security – risk category 6 – (Actions arising from annual health check and penetration test)
- Procurement – risk category 11a – (Recommendations arising from recent internal audit review)
- Housing – risk category 12 – (Continued liaison with public bodies and agencies regarding the HRA ‘duty to refer’ and review of Housing/Homelessness strategies)
- Treasury Management – risk category 18 - (Recommendations arising from recent internal audit review)

2. Options analysis and proposal

2.1 To note and accept the contents of the Corporate Risk Register including any new risk categories and new risk mitigating actions underway or for perusal. 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:

2.2 To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

3. Financial implications

3.1 Resources required (staff time) to implement actions proposed in the Corporate Risk Register should be contained within existing budgets as far as possible. There may however be some areas where additional resource /time/management support is required in order to implement risk mitigating actions.

4. Other considerations

4.1 The Corporate Risk Register covers a wide range of risks and associated consequences including failure to deliver corporate objectives, failure in service delivery, anticipated project outcomes not being met, financial losses, and poor value for money, legal challenges and reputational damage. The four most significant risks identified as part of this review include project management, procurement, asset acquisitions/investments and environmental risk. Management Team may therefore need to assess if these

areas are being adequately managed or require further resource/time and support.

5. Timetable for implementation

- 5.1 The Corporate Risk Register shows officers responsible for progressing actions, together with target timescales for implementation. The register is reviewed and updated three times a year, coordinated and reported by the Internal Audit Manager.

Background papers: There are none

Appendices: Corporate Risk Register

	A	B	C	D	E	F	G	H	I	J	K
1			APPENDIX 1					<u>CORPORATE RISK REGISTER</u>			
2	This register summarises the Council's most significant risks which align to one or more Corporate Priority. It sets out controls in place and identifies any further action needed to mitigate risks . Act										
3	Actions are assigned to appropriate officers with target dates for implementation. The relevant Portfolio Holder for each risk category is also highlighted.										
4											
5	Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)							Content reviewed July 2019 by the Internal Audit Manager			
6	March	July									
7	PREVIOUS RAG	CURRENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
8			1. If Health and Safety fails it could result in death or serious injury to staff /public and legal action against the Council, with associated reputational damage (CLEAN & SAFE ENVIRONMENT)	2	4	4	Approved Health and Safety Policy. Health and Safety Plan. Health and Safety at Work Regulations. SHE (Safety Health and Environment) system with dedicated training . Health, Safety and Insurance Risk Manager. Dedicated Health and Safety Officer in Neighbourhood Services. Managers have a legal requirement to conduct regular risk assessments. Staff Induction training. Annual reminders to complete/update health and safety risk assessments (DSE, Homeworking, and Service). Annual Health and Safety checklist, activity and compliance programme for Managers. Health and Safety Champions and meetings. Personal Safety Training and Lone Worker protection process. IOSH training provision and Champions encouraged to attend. Dedicated training available for First Aiders, Fire Wardens and Marshals. The robustness of inspections and site monitoring is periodically discussed at the Corporate Risk Management Group.	1i. There is scope to tighten up controls relating to training, procedures and the Management activity/compliance programme 1ii. The inspection process across the authority needs to made more robust - regular inspections/site monitoring to be carried out and consistently documented to ensure evidence is available. 1iii A project is due to be undertaken to enhance the efficiency of the SHE system (health and safety management). 1iv. The Corporate Risk Management Group will continue to provide an opportunity for Managers to raise any issues of concern regarding Health and Safety (NEW) 1v. Additional corporate health and safety resources for both SBC and KGE have been approved and are being taken forward (NEW)	HSIRM/ SEHM/ MAT/ All Group Heads * Cllr Boughtflower	31 October 2019 *R Requires Monitoring	1i. Partially Implemented & Progressing. Further documentation and development of Health and Safety Procedures is ongoing. 1ii.Partially Implemented & Progressing . The monthly Health and Safety Committee is now attended by most service areas, however, some services are regularly absent. Going forward an attendance register will be taken. Work has been undertaken to address the shortfalls in the inspection process with ongoing improvements in health and safety monitoring, however, further improvements are still required.The restructure of the parks team is nearing completion and greater control measures for supervision and inspection of this area are currently being developed. 1iii. Commenced. Changes have been made to SHE to make it more user friendly, additional measures are planned. A number of SHE user guidance notes have been written, available to all service areas. Additional guidance notes will be developed. Systems for health and safety monitoring, along with auditing and review are to be developed and implemented. Risk Assessments are being made more readily accessible.
			2. If there was a major Disaster in the borough, e.g. flooding, this may result in significant strain on council services (CLEAN & SAFE ENVIRONMENT)	2	4	4	Performance monitoring by Commissioning and Transformation. Emergency Planning support. Corporate Emergency Plan has been Updated and a public version placed on the Council's website.. Multi- agency flood plan reviewed January 2018. Membership of Local Resilience Forum (LRF). Regular testing of Emergency Assistance Centre plan. Borough Emergency Centre (BEC) Plans and staff training in 2017 & 2019. Staff feedback considered in updates to (BEC) plan and equipment. Incident management and Multi-Agency training. Prevent Strategy training and awareness (March 2017).	NONE	CX (DM)/ GH C & T* Cllr Harman	Completed/ Ongoing Monitoring	Applied Resilience have delivered a number of BECC (Borough Emergency Control Centre) training sessions for SBC staff during May and June 2019.
			3i. If performance at corporate and service level is not effectively managed then the authority could fail to deliver priorities, objectives and targets. 3ii. If there is failure to align service objectives to corporate priorities and objectives this could result in services not meeting residents /stakeholder needs. (ALL PRIORITIES)	2	3	3	Corporate Planning process incorporates a vision, priorities and targets. Monitoring by Members and Management Team. Service Planning and review process. Individual Service Plans should consider the Council's Corporate Priorities and statutory/other responsibilities (this is in the guidance). Service performance monitored by Management Team. Individual performance monitored through 1 to 1's and the appraisal process. Appraisal timetable. Priority Flagship project performance is reported regularly to Management Team and Members. Corporate Annual Report is reported to Cabinet.	3i. Quarterly reporting and monitoring of Service Plan implementation. 3ii. Improved alignment between Service Plans and the Corporate Plan as well as the budgetary cycle is planned . 3iii. A new Corporate Plan will be prepared. (NEW)	MAT / DCX LO/GH C & T /Group Heads & Managers * Cllr Boughtflower	i. 30 September 2019 * R Requires Monitoring ii. Early 2020 * R Requires monitoring	3i & 3ii Proposals for more frequent reporting and monitoring of progress in implementing service plans for 2019/20 have been communicated to Group Heads and Managers in February 2019, as have further planned developments to the service planning process. There are no further updates to communicate in this area . The Corporate Annual Report for 2018/19 has been prepared, to be reported to Cabinet in July 2019.
10											

	A	B	C	D	E	F	G	H	I	J	K
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7											
11			4. If there are inadequate project management arrangements (including lack of resources and relevant expertise or skills), then outcomes are unlikely to meet community/ service needs or projects fail to be delivered on time/ to budget. If projects do not incorporate sufficient governance standards, then this could result in poor decision making and unclear justification for actions, resulting in potential challenge (ALL PRIORITIES)	2	3	3	Project governance framework/methodology. Corporate Project Register updated as necessary. Corporate Project resource is in place but ownership for ensuring that project documentation is completed, resource implications assessed and necessary control processes are applied rests with Project Managers and Sponsors. Priority Flagship project performance is reported weekly to Management Team and includes asset acquisitions and development projects. On a quarterly basis a report goes to MAT, Cabinet Briefing and Overview and Scrutiny committee outlining progress made with projects and the work of the corporate project team.	4 i Management team to consider limited capacity and revenue implications prior to approving additional / new projects. (Ongoing) 4ii . Whilst the Council has a proportionate project governance framework, consistent and proportionate application of project governance arrangements are required to contribute to the likely success of projects whilst reducing potential risks of delays and overspend. Effective governance should incorporate the necessary structures and processes to support key decisions and approvals, promote the need for robust plans, monitor progress against pre-determined plans and milestones, and include regular effective reporting to Management Team and Members. 4iii. An internal audit review of Project Governance is currently underway.	MAT/GH C&T /Group Heads* Cllr Boughtflover	30 September 2019 * R Requires Monitoring	4i. Ongoing. Resourcing of projects remains an ongoing challenge as officers are often balancing several work tasks. Through the root and branch review of Services, the Commissioning and Transformation team will continue to identify projects and resources required but also improve processes and systems to assist the organisation's capacity and resilience. This also links in with risk categories 8 & 9 below. (There are no further developments to report) 4ii. In Progress. This issue and relevant improvement actions have been highlighted again as part of the recent internal audit review of Project Governance. (See point 4iii below) 4iii. Completed & Ongoing. The internal audit review of Project Governance arrangements has been completed (May 2019) and Management are addressing the improvement actions/audit recommendations raised to enhance control processes/governance(links with point 4ii above) A revised document template has been circulated incorporating several control stages such as Project Initiation, key considerations, and a business case. This will be a requirement for every project and the Project Steering Group will have visibility.
12			5a. Information Governance risks relating to organisational measures. Non compliance with data protection legislation. Information could be processed inappropriately resulting in breaches of the DP legislation, Information Commissioner fines, reputational damage. and loss of public confidence. Potential to breach Freedom of Information (FOI) Act resulting in disclosure of personal data or commercial sensitive data, and ICO enforcement. (ALL PRIORITIES)	4	4	4	Mandatory data protection online training on a yearly basis. In house (more specific) training for staff continues as requested by services; supplemented by external training. Member training. Data Protection Officer (trained and experienced) provides ongoing guidance on the Data Protection Act (2018), and the Privacy and Electronic Communications Regulations. Information Governance structure agreed by MAT and made available on Spelnet; this identifies the Senior Information Risk Owner (SIRO) and lines of responsibility for Information Assets. Data protection compliance plan for services agreed by MAT+ and distributed to Group Heads and Managers to progress data protection compliance within service lines. Training of identified Information Asset Owners ongoing. An Internal Audit review of GDPR preparedness was undertaken in April 2018 and many improvement actions have been taken forward. FOI requests: FOI online training and guidelines, FOI process flowchart.	5i. Data Protection Officer to pursue plan to ensure information assets are identified and managed. 5ii. Raise awareness of Information Governance and the requirements of the DP legislation amongst staff and members. Train remaining Information Asset Owners. 5iii. Information flows to be mapped 5iv. Completion of information assets registers for all Information Assets. 5v. Group Heads to ensure that the Data protection compliance plan for services is followed to progress compliance within service lines. This plan includes identification of information assets and data mapping (relates also to 5i & 5iii above).	GH C & T */IGO * All Portfolio Holders	30 September 2019 * R Requires Monitoring	5i. Implemented & Ongoing : The Data Protection Officer has produced a detailed work plan to work towards GDPR compliance. This has fed into the data protection compliance plan for services (issued Autumn 2018) - see 5v. 5ii. Implemented & Ongoing : The level of data protection awareness in the Council continues to increase. The former temporary administrator helped move forward completion of many of the Information Asset Registers. Due to the volume of work short term resource is currently in place. A total of 78 staff members have been trained with a further 28 still to attend training delivered by the Data Protection Officer. 5iii. In Progress - Process flows are being mapped as part of the Route & Branch review being undertaken by the Projects team which will significantly assist with mapping data flow. See also response to 5v below. 5iv & v . In Progress- Deadlines in the data protection compliance plan for services have not been achieved in many areas.
13			5b Information Governance risks relating to technological measures. If security breaches occurred this may cause system failure, non compliance with various information legislation which might lead to Information Commissioner fines/enforcement and reputational damage, with loss of public confidence. (ALL PRIORITIES)	2	4	3	Data Back up and continuity arrangements managed by ICT and tested by Managers. ICT security policies and security alerts. Personal Commitment statement required from staff on appointment. ICT security group assess ongoing risks. Series of Security Awareness updates conducted in October 2017 for all staff and a representative from the Cyber Crime Unit raised specific awareness of Cyber crime in July 2018 (mandatory session). Desktop video training rolled out to all staff from June 2019. Information Governance Officer in post. Annual ICT Disaster Recovery test.	5b i. A Disaster Recovery test (ICT) is scheduled for September 2019 and any issues arising will require addressing. (NEW)	GH C & T*/DHICT * Cllr Boughtflover	30 September 2019 * O Requires Monitoring	5b. General - Video training has been rolled out to all staff to raise awareness around data security.

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7											
14			6. Failure to meet the minimum security requirements of the Government's Public service Network resulting in termination of connection to any other government sites/data; unavailability of ICT systems impacts service provision; unauthorised creation & amendment of records for fraudulent purposes; inadequate measures to combat cyber security attacks or respond effectively resulting in reputational damage and financial losses (ALL PRIORITIES)	2	3	3	National Cyber Security Strategy. A review group assesses compliance with security requirements - Public Service Network (PSN). Successful certification of the Public Service Network (PSN) compliance. Self-assessment for PCI (Card Industry Data Security Standard) submitted in February 2019 and are compliant. Security measures include firewalls, encryption, egress, black-listing of memory stick,CD's and DVD'S, and universal serial bus (USB) ports locked down. Dual factor authentication on all laptops. All Baseline Personnel Security Standard checks completed. Annual health check and security penetration test. Mimecast e-mail filtering software in place. Disaster Recovery plan for ICT developed alongside Applied Resilience. ICT Strategy being developed to support the core objectives of the Council. Network refresh undertaken. System Administrators are currently assigned for each key application system, with privileged access rights to undertake relevant duties. Independent review of the ICT function/resources undertaken in 2018. Telephony review underway considering remote devices.	6i.As System Administrators also have operational and processing roles within the associated service area, this lack of segregation of duties (between operations and administration) increases associated risks of fraud or error. This is a longstanding issue which requires periodical review by Management Team. 6ii. An ICT Audit Needs Assessment is currently underway to highlight risks for further consideration in the audit planning process. 6iii. Following the recent annual health check and ICT Security penetration test any risks highlighted are being addressed. (NEW)	DHICT *Cllr Boughtflower	6i & 6ii Completed/ Ongoing Monitoring 6iii (NEW) 30 September 2019 R * Requires Monitoring	6i. Ongoing Monitoring - Given that the risks to achieving full segregation of duties in this area prevail Internal Audit have continued to highlight the importance of applying compensating controls within service areas. Independent management review of system generated exception reports has been promoted as well as other controls. 6ii. Completed - The ICT Audit Needs Assessment has been completed (April 2019) in collaboration with Management and a planned programme of ICT audit work for the next three years has been agreed, focussing on areas of highest risk .
15			7. Ineffective business continuity planning to cover loss of building, equipment, ICT or staff could lead to loss of service or disruption in a real scenario (CLEAN & SAFE ENVIRONMENT)	2	3	3	New contract in place from September 2018 for ongoing provision of Business Continuity Planning support . Performance monitoring by Commissioning and Transformation. Business Continuity (BC) Policy . Corporate Business Continuity Plan and Service Level plans with periodical review. The BC Forum oversees progress of BC planning. Business Impact Assessments . Service level business continuity plans are being reviewed and updated Emergency protocols for loss of building access/loss of power/loss of ICT are being developed. Emergency messaging system for staff. Telephony resilience. Key responders - Incident Management Team and recovery team. Security policy updated and Applied Resilience have a text messaging system which will alert staff and instruct on whether to leave or stay where they are.	7i. Management Team are keen to undertake a fire evacuation procedure combined with a scenario where re-entering the building is not possible.	GH C & T*	30 September 2019 R * Requires monitoring	7i. Outstanding . Previously advised that Applied Resilience are organising an exercise for late Spring 2019. At July 2019 no further developments have been reported in this area.
16			8. If there is over reliance on individual officers then in the event of absence or departure this may cause a gap in technical/systems knowledge and expertise, with subsequent failings in delivery of functions/ services (ALL PRIORITIES)	3	3	3	Business continuity arrangements to cover loss of key staff. Critical procedures should be documented and staff appropriately trained. Any weaknesses in resilience arrangements should be highlighted in the service planning process. In some larger service areas greater resilience is being built into teams with some individuals taking on a variety of roles. (An example of this is the Project Officer/Committee Manager within the Commissioning and Transformation team)	8i. Management Team to keep resilience arrangements under review. 8ii. Root and Branch service reviews are underway giving consideration to resilience, resourcing and capacity.	MAT/ Group Heads/ GH C & T * All Portfolio Holders	30 December 2019 R * Requires monitoring	8i. Ongoing Monitoring . Resilience is one of the issues being considered as part of the root and branch service reviews. 8ii. In progress - Developments on Root and Branch reviews including efficiencies identified are communicated at corporate staff meetings and via Spelnet.
17			9. If increased service demands coincide with a lack of staff resources/capacity to deliver then this may result in reduced morale, high staff stress levels with possible impact on staff mental and physical wellbeing, delays and errors, increased sickness and turnover , with subsequent failings in delivery of services (ALL PRIORITIES)	2	3	3	Short term reductions in capacity are accommodated by prioritisation and reallocating work . Longer term impacts and changes to demand may be more difficult to address. Employment arrangements and staff support mechanisms. Market supplements/allowances to assist with recruitment and retention. Training and development. Performance management systems, (appraisals, one to one's). Regular staff meetings. Stress audits (risk assessments) can be arranged if necessary. Human Resources reporting to MAT. Significant investment was built into the 2017-18, 2018-19 & 2019-20 budget to address resourcing for some service areas (such as HR, Legal, Independent Living, Environmental Health). Strategic Management Team have committed to supporting mental health wellbeing and training to raise awareness of mental health has been delivered for a number of Managers in June 2019.	9i. Management Team will need to keep resourcing levels under review, particularly the impact of new projects and any statutory obligations on service/project delivery. (Ongoing monitoring action) 9ii See action at 8ii above relating to Root and Branch reviews.	MAT *Cllr Boughtflower	30 December 2019 R * Requires monitoring	9i. Completed/Ongoing Monitoring . Additional staffing resource approved for some Service areas in 2019/20.Since March 2016 73.19 posts have been added to the Council's establishment list and so there has been increased resources, even after allowing for the transfer of the grounds maintenance operation back in-house. This has helped improve resilience and Spelthorne have been able to do so as a result of additional commercial asset income. 9ii. In Progress - Root and branch review of services is underway in order to identify efficiencies and capacity issues which can be resolved to improve organisational performance and resilience. Some quick wins have been achieved.

	A	B	C	D	E	F	G	H	I	J	K
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7											
			10. If there are prolonged staff vacancies due to inability to recruit, then this may result in a failure in service delivery (ALL PRIORITIES)	3	4	4	Market supplements awarded to certain roles when recruiting. Annual review of recruitment and retention allowances. review/enhancements in some services. Posts advertised with Surrey Jobs as well as a wider network of job sites. Specialist websites are also used to advertise posts where necessary. Annual report summarising staff recruitment and turnover. National apprenticeship scheme. Levy to be focussed on upskilling internal employees as well as some recruitment of new apprenticeships. Local arrangements in place for deciding pay awards and moved to local terms and conditions of employment	10i. Human Resources to monitor the effectiveness of measures taken to improve recruitment and retention across the authority , in collaboration with Services. 10ii. Any future review of the recruitment and retention strategy should consider the feasibility of a staff referral scheme.	MAT/Group Heads/ /GH C & T/HRM * Cllr Boughtflower	30 September 2019 R * Requires monitoring	10i. Completed/Ongoing Monitoring . There are many external factors which have an ongoing impact on recruitment and retention. Group Head Commissioning and Transformation presented a briefing note prepared by the Human Resources Manager to the March 2019 Audit Committee setting out the effectiveness of measures being taken in this area. 10ii. At July 2019 - no updates have been received in this area.
18			11a. Procurement - If governance arrangements are weak with a lack of transparency, this could result in any of the following: financial penalties for non-compliance with legislative requirements; contractual disputes and claims through poor specifications; contractors/partners failing to deliver expected outcomes; reputational damage, challenge and poor VFM. (This section links also with section 4 above - Project Management) (ALL PRIORITIES)	3	3	3	Contract Standing Orders (April 2016). Contract guidelines with compliance checklist (to be updated). Requirement for declaration of interests (Officers and Members). Corporate Procurement training provided in May 2019. E-procurement system in place and contracts sourced with this solution. Revised Procurement strategy and vision (February 2019) An initial indicative spend analysis exercise undertaken during 2019. Developing improved reporting systems. Interim Procurement Manager in post to establish revised procurement processes. Enhanced monitoring for key suppliers now added to the S&P Watch list to enable concerns to be picked up pro-actively	11i. Full compliance with the Local Government Transparency Code is required and should be confirmed once achieved. 11ii. To ensure there is an ongoing reference for officers involved in procurement activity, Procurement and Contract Management guidelines need to be updated and publicised to reflect regulatory changes of 2015. 11iii. Implement a programme of training for contract managers where the principles of Contract Standing Orders and Contract Check list form the core element of the learning. 11iv. The future of the Procurement Board to be considered as part of a review of all boards across the authority. 11v. Revised Procurement processes are being established 11vi Recommendations arising from the recent Internal Audit review (NEW)	MAT /HOCG *Cllr Boughtflower	30 September 2019 R * Requires monitoring	At July 2019 - no updates have been received from the accountable officer. The Internal Audit Manager has updated this section to the best of her knowledge. 11i & ii Outstanding 11iii. In Progress -Training has taken place (May 2019) attended by a number of Service representatives. The external trainer highlighted regulatory requirements (PCR 2015) for further consideration. A further session to outline local processes including Spelthorne's Contract Standing Orders seems appropriate to promote awareness and understanding of expectations. 11iv. Completed - A Procurement Projects group has been set up instead of a formal board, meeting monthly. This coincided with production of a monthly PPG Report to regularly advise stakeholders on the status of a range of procurements. 11v. In Progress - The interim Procurement Manager is leading on establishing and implementing revised Procurement processes. Linkages between project governance and procurement continue to be integrated into processes to ensure alignment. Head of CG attended Audit Committee in March to provide an update on proposed changes/ actions.
			11b. Major Procurement - A lack of ongoing forward planning in preparation for the expiry of existing Leisure Centre arrangements in 2021 may result in delays in delivery of key project milestones and provision of leisure facilities to the community. If the project is not effectively managed, this could result in overspends, delays and significant ongoing strain on the Council's financial resources. (This section links also with section 4 above - Project Management)	3	3	3	Current Leisure centre operator contract ends 2021. "Leisure Centre Needs Analysis" submitted to MAT in 2014 and updated in 2017, which endorsed the recommendation to carry out a feasibility study. A high level discussion document was presented to Cabinet in October 2016 and a project team formed. Project Sponsors and Project Managers identified. Project related documentation. Risk Register. Councillors and staff kept informed of key progress milestones, requirements and timeframes . Feasibility study completed March 2018 by specialist Advisors, design brief signed off and public consultation undertaken in summer 2018 .	11b. Assessment of possible sites for the new leisure centre is under consideration with further proposals for consultation to be issued in due course .	Dcex (LO)/ Group Head CW* Cllr Attewell	30 September 2019 R * Requires monitoring	11b. March 2019 - In Progress - The report to Overview and Scrutiny in January 2019 states that a timetable for the next phase of consultation on the Council's plans for a new Spelthorne Leisure Centre will be decided once the review of alternative locations for the facility have been completed and options identified. The team are continuing to assess alternative sites and are intending to peer review those to obtain an independent view, prior to any public consultation. At July 2019 - no updates have been received from the accountable officer in this area.
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21			12. External factors including national housing shortage , insufficient affordable properties, London Boroughs increased use of Spelthorne properties and welfare reforms such as Universal Credit may all impact on the effective delivery of Spelthorne's Housing Service to the community. Ongoing uncertainty over recovery of outstanding Housing Benefit debt. (HOUSING)	3	3	3	Group Heads/ MAT/Members are aware of ongoing risks in this area. Local Plan Policy currently being reviewed. Housing and Homelessness Strategies. Universal Credit rollout/migration is under consideration. Housing Benefit regulations (DWP) stipulate limitations around overpayment debt recovery. Current debt stands at approx. £3m. Internal Audit review of Housing Benefit Overpayments completed March 2019 and recommendations implemented by management (see risk category 19). Discretionary housing payments Corporate Debt Group and Strategic Housing Group monitor progress. Officers and A2D continue to work with families affected by the benefit cap. Close working with private landlords. Landlord guarantee scheme. Knowle Green Estates Ltd (subsidiary) focusing on the Housing Delivery Programme to meet Housing targets - a review/audit of the governance arrangements of Knowle Green Estates is due to take place . Council was assessed by the Ministry for Housing, Communities and Local Government as being well prepared for the implementation of the 2018 Homelessness Reduction Act, which was reported to Overview and Scrutiny in January 2019.	12i. Management Team to continue to monitor the ongoing pressures facing the Housing Service (eg impact of SCC cuts) 12ii.As part of the 'duty to refer' requirement of the 2018 Homelessness Reduction Act statutory responsibility for making referrals into the local housing authority rests with the public body or agency. Housing are continuing to work proactively with all public bodies to promote awareness and encourage referrals into Spelthorne, ensuring pathways are clearly communicated. This will ensure that any wider risk implications in terms of homelessness levels for Spelthorne are minimised through early intervention(NEW) 12iii. Review of Housing and Homelessness strategies to include stakeholder involvement and participation. (NEW)	MAT / Joint Group Heads CW * Cllr Attewell	Completed/ Ongoing Monitoring	12i. Ongoing. 12ii. This new action is included for monitoring purposes. Overview and Scrutiny at its January 2019 meeting received a positive report on the successful implementation of the Homeless Reduction Act. Likewise the recent internal audit review relating to 'embedding of processes arising from the 2018 Homelessness Reduction Act' provides effective assurance of this area.
22			13a. Uncertainty over economic growth and supplier failure could impact on: • Delivery of contracts and services • Business Rate income collected/retained , thereby affecting the Council's overall finances. (ECONOMIC DEVELOPMENT & FINANCIAL SUSTAINABILITY)	2	3	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners. Enhanced Monitoring arrangements implemented as key suppliers now added to the S&P Watch list . Aim to maximise Business Rate collection/minimise losses for the Council. Additional quarterly monitoring of collection and projected outturn retention implemented . Additional counter fraud resource is available to identify and investigate potential tax avoidance and evasion cases, which can be translated into cashable savings for the authority. (Being pursued under Corporate Counter Fraud work).	13i. Impact of Business Rate arrangements on Council finances is under ongoing review. 13ii. Spelthorne are participating in the 100% retention of business rates pilot for 2018/19 providing further incentive to maximise income collection	DCX (TC)/ Deputy Group Head CR * Cllr Harman	Completed/ Ongoing Monitoring	13i. Implemented and ongoing. 13ii. Implemented and ongoing. Exceeded target for 2018-19 "100%" Business rates retention pilot. Business rates collection rate for 2018-19 stands at 99.7%, representing the best ever. Counter fraud measures are being considered for small business rate relief cases in collaboration with the Surrey Counter Fraud Board (see risk category 20).

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23			13b. If the Economic Development Strategy fails to be implemented, this could impact on growth (ECONOMIC DEVELOPMENT)	2	3	3	Regular reporting to Members. A 5 year economic assessment & development strategy for 2017 - 2022 (previous audit recommendations were taken into account). Economic Development Strategy is reviewed every twelve months. Annual review and refreshing of the strategy, enabling targets that have been achieved to be commented upon and removed; new targets that have emerged over the previous twelve months are then included. Prioritisation of projects to benefit from the business rates retention has been completed.	13bi. <i>Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review.</i> 13bii. <i>Regarding governance, through the EDEG 5 areas have been identified as the most important areas of delivery within the strategy and will be reported on every 6 months to the group to strengthen performance monitoring. The refreshed strategy needs to be approved by the EDEG.</i>	DCX (TC) */GH R & G*/ EDM* Cllr Barnard	Completed/ Ongoing Monitoring	13bi & ii. Implemented and ongoing review. At July 2019 - there are no further updates to report for this area.
24			14. If there was failure to comply with statutory duty / adhere to Safeguarding Policy, (including failure by County to address Spelthorne referrals), this could lead to death or injury to a child or vulnerable adult, resulting in legal action and reputational damage. (CLEAN & SAFE ENVIRONMENT)	2	4	4	Council has statutory responsibility for safeguarding children and Adults. Approved and publicised Safeguarding policies and procedures. Staff and Member training. All referrals to Surrey County Council should be reported to a nominated Spelthorne Officer. Regular liaison with Surrey County Council and the Surrey Safeguarding Children's Board (SSCB). Annual Section 11 audit (a review of training records was also undertaken in 2018). Liaison with Human Resources for training purposes and DBS checks. Online safeguarding training module and cascade training. Procedure to deal with the Multi Agency Safeguarding Hub (MASH) enquiries. Spelthorne is represented on the new Early Help Advisory Board by the Deputy Chief Executive. A restructure of Surrey County Council Children's services is currently being undertaken. This will mean that the procedure for referrals to MASH/Early Help will change.	14i. <i>Officers are currently undertaking the statutory children's Safeguarding audit which is completed annually. Any recommendations arising are to be considered.</i> 14ii. <i>Monitoring of any likely changes to the safeguarding referral process and subsequent implementation</i>	DCX (TC)/LSM/ LM/Joint Group Heads - CW * Cllr Attewell	30 September 2019 R * Requires monitoring	14. In Progress - Results of the children's audit have been received and there are some recommendations to address. The Surrey Borough and District group have asked the children's safeguarding team to attend their meeting to discuss the audit recommendations for all the Boroughs and Districts as some themes are similar. Awaiting feedback following submission of an adult safeguarding audit . 14ii. Implemented/Ongoing - With the transformation taking place at Surrey County Council it has been more challenging to maintain key relationships and to understand changing processes. An internal officer group has been set up which meets monthly to coordinate responding to safeguarding and early help issues. Surrey have slightly changed their referral 'front door' and this has been communicated to staff. Further adult safeguarding training has taken place. A safeguarding briefing now takes place at each staff induction and a presentation for new Cllrs took place.

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25			15. In light of ongoing reduction in Central Government funding, if opportunities for significant income generation and investments are missed, then this will impact on the Council's ability to close the budget gap and deliver vital services. If weak governance arrangements prevail, this may contribute to poor investment outcomes and increase exposure to financial risk including loss of anticipated rental income and poor investment returns. (FINANCIAL SUSTAINABILITY)	3	4	4	Long term strategic/financial plan. Corporate Plan / priorities reviewed. Member engagement. The Council is applying innovative ways to fund services and create new revenue streams through significant commercial asset acquisitions and investments. Since September 2016 an additional ongoing annual net income of £9.5m has been generated from commercial asset acquisitions. This enabled a balance budget to be set for 2018-19 and to make revenue contributions towards capital to put capital programme financing on a more sustainable basis. Investment Asset Strategic Parameters approved by Council in December 2017. Advice is sought from the Treasury Management advisors as appropriate. Thorough due diligence undertaken with respect to leases and acquisitions and with respect to evaluating strength of covenant of tenants- now using S&P to evaluate. A second set of advisers used to independently assess the robustness and appropriateness of modelling assumptions for acquisitions. A robust governance framework has been developed and continues to support property acquisitions and investment processes, to include 1. Asset Governance framework and action plan; 2. Property Investment Strategy; 3.DIG meet weekly to track project progress plus a Councillor led Investment and Development Committee; 4. Revised regulatory investment guidance (Feb 18) requires LA'S to develop quantitative indicators to assess a local authority's total risk exposure as a result of its investment decisions, with reporting on Prudential indicators; 5. Presentation by the Portfolio Holder for Finance and DCX (TC) to O & S on the council's approach to management of risk; 6. Robust Treasury Management Strategy; 7. Weekly update to MAT on status of Priority Flagship projects(incl. commercial asset acquisitions). Further control measures for this risk category are recorded below.	15i. A robust governance framework continues to be developed to support property acquisitions and investment processes. 15ii. Robust and effective systems need to be in place to record and recover significant rental income due to SBC from it's increased property portfolio.	MAT/GH R & G* Cllr Harman	31 December 2019 R * Requires monitoring	15i. Implemented/ Ongoing . Performance is monitored regularly at Development and Investment Group (DIG) and a quarterly performance report is produced for the Investment Portfolio. DIG comprises of senior officers from across the Council and meets weekly to undertake a review of performance of acquisition, progress of developments, and evaluation of possible acquisitions. Monthly meetings of Investment and Property Committee (IPC), on which Leader and Finance Portfolio Holder sit, review and discuss performance of investments, developments and consider/ evaluate possible acquisitions and whether to put forward to Cabinet for consideration. Planned reporting of prudential indicators has taken place and went to the Development and Investment Group (DIG), with formalised reporting to take effect once the new Property Management System is operational. Council approved at its February meeting the Capital Strategy. The new draft Strategy was scrutinised by Overview and Scrutiny as a draft before going to Council for approval. The first internal officer quarterly review of the Capital Strategy has been undertaken, and updated to reflect the fact that a number of new development proposals are coming forward. The next review will consider further development of performance indicators 15ii. Progress underway- Work is underway to deliver a new Property Management System to effectively manage Spelthorne's property portfolio (investment, community, commercial and residential properties).Tenders for the Property Management System have been evaluated and a decision on the supplier was made in April 2019 (report to Cabinet 27 March). The initial 'go live' implementation is anticipated in December 2019.The Council uses expert external advisors (where required) for its investment portfolio to manage matters such as service charges. DIG receives timely updates on rental income collected on the Council's commercial investment assets. The Deputy Chief Executive (TC) has advised of 100% of commercial assets rent due having been received within 2 weeks of q date for quarter 4.
26											
27			Risk Category 15 (See above)				Further control measures relating to risk category 15 (Property Acquisitions) Monitoring arrangements relating to property development work arising from asset acquisitions - The Group Head for Regeneration and Growth prepared a briefing note for Audit Committee in November 2018 on monitoring arrangements, for example quality control measures undertaken by professionals. Due Diligence measures for tenant management - The Council has brought in additional advisers to provide a second opinion on lead advisers advice, and to produce reports on the financial robustness of tenants in potential and acquired acquisitions. The Council has subscribed to Standard &Poor's credit rating database and set up watch lists for its tenants to alert it to any deterioration in the health of its tenants. Where there is any deterioration the potential impact of this is reviewed by the internal team. Sensitivity analysis is undertaken with respect to variables such as rental growth.	Risk Category 15 (See above)			Risk Category 15 (See above)

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	PREVIOUS RAG	CURRENT RAG	RISK / IMPACT REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
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			16. If there is reduced service capacity then this may result in greater instances of error, loss, fraud, theft , irregularity, all representing a loss of internal control and weakened control environment. (ALL PRIORITIES)	3	3	3	Management as the first line of defence in the overall assurance framework are responsible for maintaining key services and internal controls. Reduced resource levels in some areas are likely to impact on the ability to operate an adequate level of controls. For example segregation of duties is not always possible and there may be fewer independent/management checks. In such cases compensating controls are required which is promoted by Internal Audit where deemed appropriate. In some areas additional resources have been provided. Adequate staff contingency arrangements need to be built into core processes. Key governance roles have also now been in place for some time in areas such as Procurement and Information Governance.	16i. A recurring theme across some service areas is resourcing constraints often combined with weak resilience arrangements. These are often highlighted as reasons for controls and governance processes being compromised within functions/corporate systems and processes. Associated with this is a lower level of assurance and therefore MAT need to keep this area under review.	Group Heads/ MAT/DCX (TC) All Portfolio Holders	Completed/ Ongoing Monitoring	16. i. Completed/Ongoing Monitoring - Additional growth to provide additional resources in HR, Accountancy, Legal and Property was built into the 2018-19 budget and various appointments have since been made. Further growth approved and built into the 2019- 20 Budget for ICT, HR, Environmental Health and Assets. A review of the Accountancy structure is also planned to take place shortly which may help further to assess staff contingency arrangements/requirements. Resilience is being considered as part of all root and branch service reviews, referred to under risk category 8 above.
28			17. In light of the changing political landscape & Brexit, this represents many potential uncertainties of a recruitment, financial, regulatory and supply chain management nature arising from currency devaluation/volatility, trade, investments, relocation of Partners/Suppliers, changing access to EU funds, level of compliance with EU regulations , workers rights (EU Nationals). These could all impact on existing policies, procedures, and processes. ALL PRIORITIES	3	3	3	The Group Head for Commissioning and Transformation is the Corporate lead for Brexit. Summary briefing note issued to MAT/Cabinet/Audit Committee in August 2018 on possible implications of a Brexit "no deal" on the Council .This note highlighted the potential indirect impact in terms of skills shortages with implications for increased costs and timings, particularly in the construction and social care sectors. Further briefing note presented to Audit Committee in March 2019. Brexit Continuity Planning continues to takes place.	17i. MAT to regularly consider potential Brexit uncertainties for Spelthorne and have a plan in place to address. 17ii. Group Head Transformation & Commissioning is participating in regular Countywide Brexit Continuity Planning meetings and briefing MAT, Group Heads and Members . (REVISED)	MAT/ Group Heads All Portfolio Holders	30 September 2019 R * Requires monitoring	17i. Progress underway - MAT and Group Heads are briefed regularly regarding developments. 17ii. Progress underway - There is of course continued uncertainty associated with scenario planning for Brexit. The Group Head for Commissioning and Transformation considers that overall Spelthorne are aware of the risks and trying where possible to address these. A weekly report on preparedness for Brexit is issued to the Local resilience Forum which feeds through to Central Government. Also attending weekly tactical and fortnightly strategic teleconferences with the Local Resilience Forum to ensure contingencies where appropriate in place. Services are updating on any information/impacts relevant to their service via weekly reports back to the LRF and onto central Government. Services are noting potential implications including staffing, environmental health and data protection. Group Head for Commissioning and Transformation prepared a summary briefing for MAT/Cabinet/Audit Committee in March 19 on possible implications of a Brexit "no deal" on the Council. Currently awaiting further instructions on next stages once new Prime minister in post
29			18. If the Council receives a poor return on long term investments and/or investments become insecure in the current climate, then this will have an adverse impact on the Council's financial position. (FINANCIAL SUSTAINABILITY)	2	3	3	Treasury Management Strategy approved annually by Members. Reporting of Treasury Management performance to Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely and apply criteria recommended by Arlingclose. Council's investments managed internally in consultation with Arlingclose. Roles and responsibilities assigned within Accountancy. Deputy Chief Executive and Portfolio Holder are involved in key decisions. Regular monitoring ,reporting of investment portfolio and returns achieved. CIPFA Code of Practice and Prudential Code being applied with new recommended indicators for measuring investment performance.	18. The team are addressing the recommendations arising from the recent internal audit review of the Treasury Management function (NEW)	DCX (TC) * Cllr Harman	30 September 2019 * R Requires Monitoring	18. Completed/Ongoing review. The team continues to explore options for diversifying the portfolio. Approved Capital Strategy (see risk category 15). The Council exceeded Treasury Management target income for 2018/19 and achieved average rate of interest on medium term pooled funds of 4.23%
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31			19. If there is a failure to collect/recover income due, this will result in financial losses to the authority. Where there is poor system integrity due to increased risk of error, duplication of data, irreconcilable systems and inefficient processes, this could lead to a significant level of aged debt and financial losses. (FINANCIAL SUSTAINABILITY)	3	3	3	Corporate Debt Group monitor the more material items on the aged debt analysis and also coordinate action to tackle debt that is unlikely to be recovered, reviewing progress made by lead Officers. Monitoring developments in recovering CIL focuses on larger sums due. Some good results have been achieved in enforcing collection and monitoring CIL debts. The Chief Finance Officer reviews a monthly status report of higher value aged debts over 6 months old for reasonableness. Analysis undertaken by Customer Services to identify and address historic debts which are not cost effective to pursue or with low probability of recovery, and therefore require write off. A progress review of relevant audit recommendations is discussed at each Corporate Debt Group meeting. Recovery policies recently reviewed (Corporate Debt and HBO). Debt collection statistics produced and analysed. Budget Monitoring identifies any anticipated shortfall in income. Accountancy report to Management Team and Members on significant variances and comparisons with previous year. Housing Benefit regulations (DWP) stipulate limitations around overpayment debt recovery. Current debt stands at approx. £3m. Internal Audit review of HBO (March 2019)recommendations implemented.	19i. The corporate debt recovery policy is being reviewed 19ii. In order to improve efficiency, there is scope for Customer Services to take greater control over the persual of all sundry debts at every stage. (REVISED) 19iii. Further to the recent audit review of Housing Benefit Overpayments, increased reporting (management information and breakdowns) will help to enhance visibility in terms of debt monitoring of this complex area. This will be pursued in collaboration with the Corporate Debt Group. 19v. Development of systems to assist in monitoring of Bed and Breakfast debt in terms of enhancing efficiency and avoiding duplication is ongoing.	MAT/ DCX, TC/AGH CR/ Group Heads Cllr Harman	30 September 2019 * R Requires Monitoring	19i. Completed - The Debt Recovery Policy has been updated and revised draft circulated to relevant colleagues for comment, before going to MAT for approval. 19ii. Progress underway - This point has been reiterated in the recent internal audit review of sundry debtors with regards action beyond the stage three invoice reminder. If Customer Services are to take a greater lead role in the persual of all sundry debts including decisions where appropriate and firming up expected response timelines from Services, this needs to be reflected in the revised corporate debt policy to ensure clarity (see action 19i). 19 (iii) Implemented/Ongoing - The Housing Benefits Manager now issues Housing Benefit Overpayment debt breakdown reports to the Corporate Debt Group. 19 (v) In Progress - Project set up to address and move forward the operational issues but resourcing, skillset and possibly ownership remains an issue. Weekly payments cycle for Housing Benefits has been agreed with the Council's External Auditors, BDO and is being applied to address timing differences. A planned internal audit review is underway.
32			20. Environmental breakdown represents a significant global threat driving social and economic disruption with far ranging consequences for socioeconomic stability ; climate change and extreme weather events such as flood and extreme heat impact on food systems, supply chains and procurement, economic productivity and losses. (CLEAN AND SAFE ENVIRONMENT)	3	4	4	Consideration of Government targets for reducing carbon emissions/greenhouse gases to tackle climate change. Whilst there are no specific targets set on local councils, Officers are working in the spirit of ethical and social responsibility to address climate change concerns, reviewing the Council's carbon footprint and thereby contributing to the overall government targets. Sustainability Strategy Energy & Water Efficiency policy (2015 - 2020) Corporate Emergency Plan. Consideration as part of project implementation as follows : New developments - renewable generation Fuel Poverty - promote energy efficiency measures, Increased renewables capacity with solar PV installations on 2 DayCentres EV and further plans to do so on other sites charging provision at some car parks.	20i. As this is a new risk category, any relevant actions for inclusion will be discussed at the Corporate Risk Management Group.	MAT/ GH - NS SO - MR	30 September 2019 * R Requires Monitoring	This is a new risk category for inclusion on the Council's Corporate Risk Register. A report from the Institute for Public Policy Research (IPPR) has concluded that global greenhouse gas emissions must be reduced by 45% from 2010 levels by 2030 to avoid catastrophic warming.
33			21. If there is an increased risk of fraud / theft arising from a weak control environment this will result in financial losses and reputational damage. Housing tenancy fraud reduces availability of social housing impacting on the Housing register. Business Rates Avoidance and Evasion results in loss of income. (FINANCIAL SUSTAINABILITY & HOUSING)	3	3	3	Various corporate Policies including Confidential Reporting Code (Whistle blowing), Anti-fraud, Bribery and Corruption Strategy, Proceeds of Crime and Anti-Money Laundering, Code of Conduct, Financial Regulations and Contract Standing Orders. Fundamental controls to be embedded to enable prompt identification and investigation of discrepancies, errors and potential theft or fraud. (Management oversight, segregation of duties, financial reconciliation processes, authorisation limits and IT Security measures). Specialist Fraud groups with Surrey Partners enable sharing of skills, knowledge and approaches. Fraud alerts circulated. Enhanced verification checks for new housing claims. Non-benefit fraud returns are collated quarterly, focusing on housing, council tax support, and business rates (evasion and avoidance). These are reported to the Surrey Counter Fraud Board. Collaborative working with Reigate and Banstead's Counter Fraud team has continued to produce positive outcomes and impressive financial returns/payback. Wider benefits are also being realised from this counter fraud work and a further growth bid has been secured (February 2019) for these counter fraud measures to continue. Overview & Scrutiny Committee report of 2018(tax evasion/avoidance)	21i. To arrange refresher Counter Fraud, anti-bribery and corruption training for all staff and Members. 21ii. To undertake a risk assessment for money laundering to ensure compliance with regulations.	Group Heads/ MAT/IAM/ Head of CG Cllr Harman & Cllr Attewell	30 September 2019 * R Requires Monitoring	At 31.3.19 the cumulative fraud return for Spelthorne (since the start of the Surrey Fraud Partnership in January 2015) equates to just under £2.5m in terms of notional savings to the public purse, with estimated cashable savings for Spelthorne of £482k. This figure incorporates positive fraud outcomes for Corporate Fraud (non-benefit fraud) and includes Housing, Business Rates and Council Tax. Further counter fraud measures are being explored in partnership with the Surrey Counter Fraud Board which will provide continued benefits for all partner authorities. 21i. Progress underway. The Internal Audit Manager has outlined requirements for inclusion in Counter Fraud, anti-bribery and corruption refresher training for staff and Members. Discussions are being held with the suitably identified trainer to take this further forward, with a view to scheduling mandatory training sessions for Autumn 2019. 21ii. At July 2019 - No further updates have been received from the accountable officer for this area.
34						*KEY TO RAG RATING					
35			Actions Overdue & Outstanding			Partially Actioned			Completed/Ongoing Monitoring		

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36			Note that previous RAG ratings are included to illustrate the Direction of Travel for recommended actions								
38			*KEY TO TARGET DATES			* N = New Action		*R = Revised target date for assigned action		*O = Original target date for assigned action	
39			*KEY TO OFFICERS								
40			MAT - Management Team								
41			CX, - Daniel Mouawad								
42			Head of CG – Head of Corporate Governance, Michael Graham					GH R & G - Group Head - Regeneration and Growth, Heather Morgan			
43			Deputy Head of ICT – Alistair Corkish					IGO - Information Governance Officer, Clare Williams			
44			DCX (TC) – Terry Collier					HRM – Human Resources Manager, Debbie O’Sullivan			
45			HSIRM - Health and Safety, Insurance and Risk Manager – Stuart Mann					CM- Contract Managers			
46			GH C & T - Group Head - Commissioning and Transformation, Sandy Muirhead					Joint Group Heads of CW – Joint Group Heads for Community Wellbeing, Deborah Ashman and Karen Sinclair			
47			GH - NS - Group Head - Neighbourhood Services- Jackie Taylor					LSM - Leisure Services Manager, Lisa Stonehouse			
48			DCX (LO) – Lee O’Neil					RRO – Risk and Resilience Officer, Nick Moon			
49			SEHM - Senior Environmental Health Manager, Tracey Wilmott-French					EDM – Economic Development Manager, Keith McGroary			
50			PS - Principal Solicitor, Victoria Statham					IAM - Internal Audit Manager, Punita Talwar			
51			AGH CR - Acting Group Head for Customer Relations, Roy Tilbury					SO- Sustainability Officer, Mark Rachwal			
52											
53			PORTFOLIO HOLDERS - recorded under risk ownership column								
54											
55											
56											
57											

Audit Committee**25 July 2019**

Title	Annual Internal Audit Summary Report 2018/19		
Purpose of the report	To note		
Report Author	Punita Talwar, Internal Audit Manager		
Cabinet Member	Councillor Tony Harman	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	The Audit Committee notes the Annual Internal Audit Summary Report for 2018/19.		
Reason for Recommendation	Not Applicable		

1. Key issues

- 1.1 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)
- 1.2 Internal Audit findings form the basis of the annual audit opinion on the adequacy of the authority’s internal control environment, risk management and governance arrangements. The opinion supports the Annual Governance Statement, considered by External Audit and others. This report therefore summarises Internal Audit findings and sets out the independent audit opinion of the Internal Audit Manager for the 2018/19 period, who under Public Sector Internal Audit Standards (PSIAS) represents the Chief Audit Executive at Spelthorne.
- 1.3 Appendix 1 summarises Internal Audit reviews carried out in 2018/19, highlighting assurance opinions where appropriate. Assignments deferred to Quarter 1 of 2019/20 at the request of Management have also been included for completeness. Audit reports include recommendations aimed at reducing risks and strengthening internal controls. Progress on implementation of audit recommendations together with the direction of travel is provided. Further monitoring of status will be undertaken in October to coincide with issue of the

next progress report (Interim Audit report) to Management Team and Audit Committee.

- 1.4 In addition to planned assurance reviews, details of other work undertaken (including corporate tasks and quality assurance process for Internal Audit) is outlined at Appendix 1. Some examples of how Internal Audit supports the organisation in achieving its objectives and adds value are set out below:
- (a) Reactive and pro-active advice provided to services and corporate groups on various risk and control issues
 - (b) Coordination and reporting of counter fraud outcomes/initiatives
 - (c) Investigating suspected fraud and irregularities or providing support to these processes, highlighting any lessons learnt
 - (d) Supporting corporate governance arrangements
 - (e) Corporate Risk Management – see separate report. Audit provides advice to Management Team, Corporate Risk Management Group (CRMG) and co-ordinates the Council's Corporate Risk Register representing the Council's most significant risks
- 1.5 The Internal Audit function has operated with a significant resource shortage between April and October 2019, essentially a reduction of 1 FTE from a team of 1.75 FTE. These circumstances have inevitably required some reprioritising of the 2018/19 Internal Audit plan. Following a recruitment process to fill the vacant Senior Auditor post, the new post holder commenced in November. In addition the ongoing requirement for Contractor Audit resource to support delivery of planned assignments and specialist areas such as ICT Audit prevails and Spelthorne procure Auditor days as required through the Apex legal Framework.

Annual Audit Opinion

- 1.6 The Internal Audit Managers opinion on the Council's control environment for 2018/19 (prepared on 22 May 2019) is as follows:

The Internal Audit Managers opinion for 2018/19 is that the Council's internal control environment and systems of internal control in the areas audited were generally adequate, with the exception of the areas where improvements were recommended to address medium to high risks. The following is considered to represent the key themes and issues arising from Internal Audit's work and any planned action to address has been included for completeness (planned actions updated at 1/7/19):

(In the majority of cases Management have agreed to address the improvement actions, or accept the associated risks of not doing so. Some proposed actions are yet to be agreed/confirmed by Management).

<u>Issue Identified/Risk Implication</u>	<u>Planned Action</u>
<p><u>1.Policies and Procedures</u></p> <p>There are a number of significantly out of date policies and procedure manuals, many of which relate to core financial systems. Out of date policies and procedures increase the likelihood of practices being applied inconsistently or inefficiently resulting in processing of financial transactions incorrectly, financial loss, and/or breach of legislation. Other associated risks include lack of clarity regarding roles and responsibilities and division of duties across teams, which may also make it more difficult to demonstrate adequate segregation of duties.</p>	<p>Management have agreed to address audit recommendations.</p> <p>Regular review of policies/ procedural and training guidance used across key systems. Where applicable consideration should also be given to aligning these with other policies/regulations to promote consistency.</p> <p>Some policy reviews have recently taken place such as the Corporate Debt Policy.</p> <p>There is scope to introduce action tracking of policy and procedural review to serve as a reminder.</p>
<p><u>2.Housing Benefit Overpayments (HBO)</u></p> <p>The Department for Work and Pensions (DWP) policy around recovering older Housing Benefit overpayments (HBO) first (i.e. not simultaneous recovery of old and new debt) and the complexity of recovering HBO due to the different rates of deduction applicable has created limitations in terms of maximising recovery for Housing Benefits Overpayments. The current HBO debt stands at approx. £3m.</p>	<p>The limitations in terms of the recovery approach for Housing Benefit Overpayments (HBO) and amounts that can be recovered represent ongoing uncertainty over recovery of outstanding Housing Benefit debt. This has been highlighted on the Council's Corporate Risk Register. Internal Audit Recommendations relating to the production of aged debt analysis reports, financial breakdowns and issue of management information to the Corporate Debt Group, aimed at substantiating overall figures, improving debt monitoring exercises and enhancing visibility have been implemented.</p>
<p><u>3.System Administrators</u></p> <p>An ongoing weakness relating to an absence of segregation of duties prevails as System Administrators have both operational (processing) and administrative involvement in financial transactions. The risk implications include manipulation of data for personal gain - fraud, theft, collusion, and error leading to financial losses and reputational damage.</p>	<p>The Council has highlighted this risk on its Corporate Risk Register to enable monitoring by the Strategic Management Team. The importance of Management implementing compensating controls continues to be highlighted by Internal Audit. Whilst there are some compensating controls in place including the production of system generated exception and activity reports in some areas, independent management review of such reports/logs is required (evidenced) to ensure that this control is operating effectively.</p>

<p><u>4.Independent Management review</u></p> <p>Independent review of financial reconciliations undertaken for key financial systems are not consistently evidenced. In the absence of such evidence the expected control cannot be confirmed as operating satisfactorily and the associated risks of error, unresolved discrepancies, miscoding in the Council's accounts and fraud are increased.</p> <p>Absence of periodical management oversight increases risks of error, theft and fraud, resulting in financial losses.</p>	<p>Management have agreed to address audit recommendations and advised that action (i) has been implemented.</p> <p>i.Financial reconciliations to continue to be completed regularly and independently reviewed to ensure any errors and discrepancies are promptly identified, investigated and rectified. Reconciliations between feeder systems to the General Ledger should be signed off electronically by an independent Officer or Manager to provide evidence of this task having been reviewed.</p> <p>ii. Increased management oversight is prudent to promptly identify potential discrepancies/significant errors and/or fraudulent activity.</p>
<p><u>5.Project Governance</u></p> <p>5i.Whilst the Council has a proportionate Project Governance Framework, consistent application of Project Governance arrangements remains outstanding.</p> <p>5ii.Project Management expertise and skills are limited across the authority, and general understanding around projects including roles and responsibilities needs enhancing. Given the number of projects being undertaken this highlights a need for delivering robust training.</p> <p>5iii. Whilst monitoring takes place through the Corporate Project Dashboard reporting to MAT / Overview & Scrutiny, this approach is not considered fit for purpose because the RAG ratings are only based on the status of the project and do not take into account whether or not the relevant control processes have been applied to the project to enhance the likelihood of project success e.g. preparation of a business case or project plan etc.</p> <p>5iv. Current project template documentation could be enhanced further to incorporate a PID and Gantt chart.</p>	<p>Management have agreed in principle to address audit recommendations or consider for 'training' alternative options to address the highlighted risks.</p> <p>5i.The previous recommendation raised by Internal Audit in the Annual Audit report of July 2018 (relating to the 2017/18 financial year) remains outstanding and therefore should be considered again as follows:</p> <p>"Whilst the Council has a proportionate Project Governance framework, consistent and proportionate application of Project Governance arrangements including methodology and documentation are required to contribute to the likely success of projects whilst reducing potential risks of delays and overspend".</p> <p>5ii. An assessment of viable training options to better equip Managers with the key tools and techniques to manage projects successfully is to be undertaken which will include consideration of industry standard training, such as Prince2. This would also help the Corporate Projects Team/resource to more effectively assist and support Project Managers. In the meantime general refresher training on Project Management is being arranged to promote the current framework, guidance and key governance processes.</p>

<p>5v. Management should establish a formal control process to ensure that key project managers should ensure that past council learnings are incorporated into the current project.</p>	<p>5iii & iv .A document has been produced (April 2019) which combines the key control processes required to streamline methodology and make it simpler for project managers to understand requirements. A gateway approach can be considered alongside a mechanism to put a project on hold until the documentation is complete. This will require clear and prompt communication to the corporate project team at the outset of projects.</p> <p>Consideration will also be given to introducing a Project Challenger for high value/profile projects (someone independent of the project team) in order to give those involved in the governance of the project independent assessment of the progress and likely success of the project.</p> <p>5v. Management to advise further.</p>
<p><u>6. Rent Management System (Bed and Breakfast Accommodation)</u></p> <p>Poor System Integrity due to increased risk of error, duplication of data, irreconcilable systems and inefficient processes. This has led to significant aged debts and financial losses.</p>	<p>Project set up to address and move forward the operational issues but resourcing, skillset and possibly ownership remains an issue.</p> <p>Weekly payments cycle for Housing Benefits has been agreed with the Council's External Auditors, BDO and is being applied.</p> <p>Utilising the Process mapping resource to drive and support the required change and improvements.</p> <p>A planned internal audit review is underway and any findings/recommendations arising will be reported in due course.</p>
<p><u>7. Procurement</u></p> <p>1. Spelthorne's Contract Standing Orders require contracts over £40,000 to be advertised (Public Contract Regulations). Many procurements potentially valued between £5k and £100k are not e-tendered (or have not gone through a process of seeking alternative quotes), and will therefore not be advertised on Contract Finder (the national portal).</p> <p>2. Spelthorne is not following the Government's Local Authority</p>	<p>Following the transfer of the Procurement function to Corporate Governance at the beginning of 2019, a revised Procurement Service vision and strategy was issued in February 2019 which sets out a phased approach to developing the Procurement Service. Some planned improvements underway include improved alignment between Procurement and Project Management processes, periodical indicative spend analysis exercises, effective measurement of benefits realisation through robust business cases for procurement activity, increased reporting to Management team on the status of individual procurements.</p>

Transparency Code in respect of publishing a list of agreements with a value that exceeds £5,000. The Council needs to be mindful as to how this may be perceived.

3. Refresher training for officers involved in procurement and contract management has become overdue (2014). Documented guidance on procurement processes are due for a refresh to ensure that up to date and relevant practices are being adhered to.

4. There is no central contract register, presenting risks that key contract dates may be missed. Where insufficient time is allowed prior to contract end dates to explore and agree the best course of action, there is a risk that the most effective procurement route may no longer be available. In addition, without a central contract register, the Council will not have an overview of the contracts across different services and this may hinder their ability to take a holistic approach to procurement.

5. The Council uses S&P Global Market Intelligence to assist in evaluating the financial health of tenants in potential commercial investments and to monitor the financial health of tenants in investments assets owned by the Council. However no other formal monitoring of general supplier resilience is carried out.

6. The responsibility of on-going contract management rests with contract managers. However there is no central oversight or outline in terms of how contract managers should monitor contracts and there is no requirement currently to report on large contracts. Without robust contract monitoring, problems with contracts may not be identified on a

Specific actions below to be agreed/confirmed by Management.

1. Contract Standing Orders (CSOs) to be revised and (i) reflect the priorities and objectives stated within the Procurement Strategy, (ii) are coordinated with the Council's financial policies and regulations, and compliant with EU and UK procurement legislation and (iii) are complied with by all service groups within the Council. Monitoring mechanisms need to be set up to measure compliance with the Council's procurement rules.

2. Consideration of the Local Government Transparency code and if Management accept the risks of non-compliance then this should be formally documented.

3. Training has taken place (May 2019) attended by a number of Spelthorne Managers and Service representatives. The external trainer highlighted a number of regulatory requirements (Public Contract Regulations 2015) for further consideration. A further session to outline local procedures and processes in place at Spelthorne seems appropriate to promote awareness and understanding of expectations. This may follow any planned review of procurement guidance documents and checklists to reflect the most current legislative and regulatory changes, made accessible to all staff responsible for procurement.

A Procurement Projects Group was established in April 2019 and recognises that Spelthorne will continue to devolve a lot of buying activity to Services but also that central procurement support will be accessible to improve procurement practice. This coincided with production of a monthly PPG Report to regularly advise stakeholders on the status of a range of procurements.

4. A contract register to be put in place and regularly monitored, clearly listing all Council contracts, their values and expiry dates. An individual or groups should be allocated responsibility for overseeing contract forward planning.

5. The Council's approach to supply chain resilience should be developed beyond existing

timely basis and there is a risk that appropriate corrective action is not taken promptly. This may lead to anticipated outcomes and benefits not being met due to poor performance, which could result in reputational damage.	<p>arrangements. Given the number of suppliers in use it is recognised that any approach to gain assurance needs to be proportionate to the risks involved.</p> <p>6. Development of a contract management framework with improved control over contractor performance monitoring and a process to facilitate central oversight of this. Introduction of a Contract Management action learning set is due later in 2019 which will assist Services with the management of Contracts once let.</p>
<p><u>8. Authorisation</u></p> <p>A large value payment has been issued without appropriate authorisation, increasing risks of error, fraud and financial losses.</p>	<p>Recommendations arising from an audit review underway will be reported further. In particular the following actions require Management attention.</p> <p>(i). Authorisation values established for payments should be reviewed for appropriateness and Managers reminded as to the importance of complying with limits set.</p> <p>(ii). Officers responsible for processing payments should ensure that for non-purchase order payments the PL3 forms are correctly authorised prior to processing payments, supported by appropriate independent scrutiny of all higher value payments.</p>

Issues with a significant level of risk attached have been transferred into the Council's Corporate Risk Register for regular monitoring by Management Team, Cabinet and the Audit Committee.

The above issues are also summarised in the Council's Annual Governance Statement.

2. Options analysis and proposal

- 2.1 There are no options.
- 2.2 Implementation of audit recommendations will reduce risks for the authority and enhance the control environment which is acknowledged by the Council's Management Team.
- 2.3 Failure to undertake internal audit work to the required professional standards would lessen the Council's assurance that effective control systems are in place and could result in an increase in the Council's annual external audit fee.

3. Financial implications

- 3.1 The Corporate fraud returns collated by the Internal Audit Manager demonstrate the significant cumulative financial returns/savings achieved. From January 2015 to March 2019, notional savings to the public purse

equate to almost £2.5m, of which £482k represents quantifiable cashable savings for Spelthorne. Specifically for the 2018/19 period (rounded to the nearest £1,000), the overall savings to the public purse equated to £890k with cashable savings for Spelthorne amounting to £154k.

4. Other considerations

4.1 There are none.

5. Timetable for implementation

5.1 Not applicable.

Background papers:

Appendices: Appendix 1 – Summary of Internal Audit Work for the year 1 April 2018 – 31 March 2019

*ASSURANCE KEY (Columns 2 & 6 of table)
Effective - Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed - A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed - Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory - Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.

Internal Audit Recommendations Status Key (Column 5 of table):

Reporting on the status of whether internal audit recommendations have been implemented or remain outstanding is based on confirmation from Group Heads/ Managers i.e. Internal Audit have not verified this. MAT & Members should note the comments recorded under the Progress column when considering the direction of travel. It seems appropriate that an effective assurance rating for the current RAG is issued only where all audit recommendations have been implemented.

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
<p>1.Main Accounting Systems</p> <p>January/February 2019 (Fieldwork)</p> <p>April 2019 (Draft)</p> <p>June 2019 (Final)</p>	<p>Some Improvement Needed</p>	<p>Chief Accountant</p>	<p>1. The Finance Procedure Manual should be reviewed on a biennial basis and updated including current practices, relevant systems used and all of the key processes undertaken by the Accountancy Team. In addition, a version control and/or revision chart should be included within the manual detailing when the manual was last reviewed and its next review date.</p> <p>2. The e-Series Training notes and guidance published within the 'Invoice / Purchase Order Notes' on the Council's intranet should be reviewed regularly and, if necessary, updated to ensure they represent current practices. Also, these documents should be enhanced to include a version control</p>	<p>1. To be completed by end of September 2019.</p> <p>2. To be completed by end of September 2019.</p>	<p>Some Improvement Needed</p>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>and/or revision chart outlining when this document was last updated and when next review date is.</p> <p>3. Periodic spot check should be undertaken on Journals to confirm:</p> <ul style="list-style-type: none"> • That senior officer's approval is obtained for journals exceeding £20k; and • The validity and accuracy of the journals under £20k. <p>The result of the spot check should be retained to demonstrate the oversight control is in operation.</p> <p>4. The exception identified (Leaver) should be followed up further to determine if there is an underlying reason</p>	<p>3. To be completed by end of July 2019.</p> <p>4. Addressed no further action</p>	

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>which needs to be addressed to prevent recurrence in future. Leavers should have their Integra access disabled/revoked promptly.</p> <p>5. Consideration should be given to enhancing each of the reconciliations spreadsheets and/or documents to include the name of the Officer performing the reconciliation, balances as per relevant feeder system and GL, variances (if any) and the date the reconciliation was undertaken. Reconciliations should be dated and signed off by an independent Officer and/or Manager as having been reviewed.</p>	5. Implemented	

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
<p>2. Treasury Management</p> <p>January/February 2019 (Fieldwork)</p> <p>April 2019 (Draft)</p> <p>June 2019 (Final)</p>	<p>Some Improvement Needed</p>	<p>Chief Accountant</p>	<p>1. In view of the ongoing and increased Treasury Management activity, it seems prudent that the Chief Accountant carry out periodical management spot checks to incorporate high value transactions. The spot checks would enhance control by confirming that transactions comply with limits set and further reduce the risk of re-occurrence of significant errors.</p> <p>2. The Treasury Management procedure manual should clearly set out roles, responsibilities and system permissions assigned relating to ICD trades in order to provide clarity across the team regarding who can do what. This may also provide an opportunity to assess whether all current permissions assigned are</p>	<p>1. To be completed by end of July 2019.</p> <p>2. To be completed by end of July 2019.</p>	<p>Some Improvement Needed</p> <p>Corporate Risk Register</p>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>relevant and appropriate with a view to further strengthening segregation of duties.</p> <p>3. The Service should ensure that a timetable is agreed for the review, update and approval of the Treasury Management Practices and Schedules. (Re-recommendation).</p> <p>4. Regular cashbook reconciliations (reconciliations between the cash book, general ledger, and the bank) to continue to be completed monthly and independently reviewed to ensure any potential errors and discrepancies are promptly identified and rectified.</p> <p>5. Clarity is required over specific roles relating to the</p>	<p>3. To be completed by end of August 2019.</p> <p>4. Implemented</p>	

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>Cashbook reconciliations process and the division of duties / tasks between the Assistant Accountant and Deputy Chief Accountant. In particular, responsibility for investigating and rectifying discrepancies needs to be clearly defined.</p> <p>6. Any review of reconciliations undertaken by the Deputy Chief Accountant should be evidenced promptly.</p>	<p>5. To be completed by end of August 2019.</p> <p>6. To be completed by end of August 2019.</p>	
<p>3. Housing Benefits Overpayments</p> <p>December/January 2019 (Fieldwork)</p> <p>March 2019 (Final)</p>	<p>Some Improvement Needed</p>	<p>Joint Group Heads Community Wellbeing</p>	<p>1. A documented Member endorsed Housing Benefits Overpayments Policy should be reviewed and updated by the Joint Heads of Community Wellbeing.</p> <p>2. The Housing Benefits Overpayments Policy should incorporate a Write-Off Policy and cross refer to the relevant DWP guidance /</p>	<p>1. Implemented - policy amended and approved and circulated (copy has been sent to audit).</p> <p>2. Implemented - Write off section of overpayment policy updated and has been circulated.</p>	<p>Effective</p> <p>Corporate Risk Register</p>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>regulations as well as the revised Corporate Debt Policy. The revised policy should be promoted and accessible to relevant officers.</p> <p>3. The Corporate Debt Group should provide a clear steer with regard to the level of management information required to substantiate the overall £2.986m Housing Benefits Overpayments figure (acknowledged figure will change over time) as well as evidence that this has been sufficiently monitored and reviewed by the Housing Benefits Manager.</p> <p>4. Any debt management breakdown documents should record the name of the officer producing it and once the document has been acknowledged / agreed by</p>	<p>3. Implemented - Discussions have taken place at the Corporate Debt Group and subsequent management information has been presented to the Group.</p> <p>4. Implemented - Name of person has now been put on future documents concerning debt management information which is</p>	

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>the Joint Heads of Community Wellbeing, the document should be presented to the Corporate Debt Group.</p> <p>5. The Housing Benefits Manager should produce a Housing Benefits Overpayments Aged Debt Analysis periodically as a practical tool to be used for :</p> <ul style="list-style-type: none"> • monitoring and reviewing the ongoing debts; • informing the Corporate Debt Group on aged debt (i.e. improved management information); and • Establishing the cost effectiveness of chasing longstanding debts which 	<p>presented to the Corporate Debt Group and group heads</p> <p>5. Implemented - as part of the information presented to the Corporate Debt Group</p>	

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			the Authority is unlikely to recover.		
<p>4. Project Governance</p> <p>January/February 2019 (Fieldwork)</p> <p>April 2019 (Draft)</p> <p>May 2019 (Final)</p>	Major Improvement Needed	Group Head Commissioning and Transformation	<p>1. The Project Steering Group should consider enhancing the role of the Corporate Project Team giving due consideration to the importance of Prince2 qualifications being pursued / completed by relevant officers within this team. This may encourage greater consistency in the application of methodology, frameworks and governance arrangements on all projects across the Council. As part of this exercise, consideration may need to be given to assessing whether the existing level of resource in this area is deemed sufficient.</p>	Management will be providing a status update on implementation in due course, to be reported to the November Audit Committee.	Major Improvement Needed

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>2. Responsibility for undertaking the Project Sponsor role should be considered further. This could be considered in conjunction with establishing a Project Challenger to give those involved in the governance of the project independent assessment of the progress and likely success of the project.</p> <p>3. The previous recommendation raised by Internal Audit in the Annual Audit report of July 2018 (relating to the 2017/18 financial year) remains outstanding and therefore should be considered as follows:</p> <p>Whilst the Council has a proportionate Project Governance framework, consistent and proportionate</p>		

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>application of Project Governance arrangements are required to contribute to the likely success of projects whilst reducing potential risks of delays and overspend.</p> <p>4. The Council may wish to consider enhancing the current project template documentation by also incorporating (and applying where appropriate):</p> <ul style="list-style-type: none"> • A Project Mandate - the first document required to initiate a project / request for approval of the project. It encapsulates the ideas and basic information that is available at this point; • A Project Initiation Document (PID) clearly 		

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>defining roles and responsibilities; and</p> <ul style="list-style-type: none"> • A Gantt chart for the purposes of providing a useful monitoring and communication tool. <p>5. The Project Steering Group should clearly establish whether the reporting protocol that includes the use of red / amber / green status indicators is fit for purpose.</p> <p>6. Consideration should be given to establishing a mechanism to report projects for which relevant documentation and control processes have not been applied.</p> <p>7. To ensure a consistent and standardised approach to Project Management within</p>		

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>the Council, MAT should consider providing Prince2 training for all Project Managers to provide them with the key tools and techniques needed to manage projects successfully. This should also be attended by the Corporate Project team, to facilitate the provision of any ongoing support to Project Managers / Sponsors.</p> <p>If the Prince2 training highlights additional control processes that may be useful to adopt at Spelthorne, the Corporate Project Team may wish to give this further consideration, bearing in mind that the methodology promoted needs to be proportionate to the size / nature of the projects. (This is linked to recommendation 4 above)</p>		

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			<p>8. The Project Steering Group should provide refresher training so that Project Sponsors and Project Managers are clear as to what constitutes a project. Officers responsible for managing projects should have an understanding and awareness of the Project Management Framework, guidance and relevant governance processes, and therefore any refresher training would help to reinforce this also.</p> <p>9. The Project Steering Group should clearly establish whether the reporting protocol that includes the use of Project Categorisation is still fit for purpose. The Project Officer should periodically review and highlight any projects that have been incorrectly</p>		

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			categorised, ensuring corrective action is taken to enable accurate reporting of Project Categorisation and effective project monitoring.		
5. ICT Audit Needs Assessment January & March 2019 (fieldwork) April 2019 (Draft) May 2019 (Final)	N/A	Group Head for Commissioning and Transformation	This piece of work was carried out in collaboration with Management to inform audit planning and establish ICT Audit areas for the next three years, taking into account the significance of risk associated with each of the auditable areas. A programme of work has been agreed with Management.	N/A	N/A
6. Procurement December, January to March 2019 (fieldwork) May 2019 (Draft) Subject to discussion/receipt of management responses	Major Improvement Needed	Head of Corporate Governance	1. A system should be implemented to monitor compliance with the Council's procurement rules including the requirements around advertising of contracts and a reporting mechanism should be established to notify the	Management responses to internal audit recommendations remain outstanding. Management will be requested to provide a status update on implementation in due course, to be reported to	Major Improvement Needed Corporate Risk Register

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			<p>Chief Finance Officer of non-compliance.</p> <p>2. The Council's Contract Standing Orders (CSOs) should be kept up to date and reflect the priorities and objectives stated within the Procurement Strategy. The CSOs should be coordinated with the Council's financial policies and regulations, current structure and systems used, and should help to ensure compliance with EU and UK procurement legislation.</p> <p>3. The Council should follow the Local Government Transparency Code by publishing a list of all contracts over £5,000 on its website (including description of the goods and/or services being provided, supplier name and</p>	<p>the November Audit Committee.</p>	

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			<p>details, value, and start, end and review dates). Where this is not the case, the Council should formally consider and document the risks associated with non-compliance.</p> <p>4. All procurement, contract management and EU procurement guidance documents and checklists should be reviewed and updated with the most current legislative and regulatory changes, and made accessible on Spelnet to staff responsible for procurement and contract management. An officer should be assigned responsibility for updating and maintaining procurement and contract guidance.</p>		

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			<p>5. The Council should identify the skills required for those involved in the letting and management of contracts and consider the need for periodical training to allow officers to discharge their responsibilities effectively. This can supplement the central procurement support promoted through the Procurement Projects Group recently set up.</p> <p>6. The Procurement team should ensure that requirements set out by the External Trainer during the training session of 8.5.19 are considered and incorporated into Spelthorne policies, processes and procedures as appropriate. There is scope to follow up the external training with a further session to outline local procedures and processes in</p>		

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			<p>place at Spelthorne to promote awareness and understanding of expectations.</p> <p>7. The latest Procurement Strategy should be published on Spelnet (the Council's intranet) and continued steps should be taken to promote and build awareness of the strategy.</p> <p>8. Any action plans accompanying the latest Procurement Strategy should be reviewed, progressed and monitored, with reports produced to show how the strategy is advancing, who is responsible, and achievements to date. These should be provided to departmental management, the Strategic Management Team and Council members, as required.</p>		

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			<p>9. The Council should consider whether a Terms of Reference for the new PPG should be put in place (including frequency of meetings and to whom the group is accountable) and this should be reviewed and approved annually as recommended at the last audit.</p> <p>10. A contract register should be put in place, clearly listing all Council contracts, their values and expiry dates. Responsibility should then be assigned to an officer within Legal (Corporate Governance) to maintain this record and ensure that it stays up to date.</p> <p>11. An individual or groups should be allocated responsibility for overseeing</p>		

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			<p>contract forward planning. Contract review alerts should be set and all contracts that are due to expire should be subject to review. The commissioning cycle should be triggered to determine the best course of action and make a decision as to how best to meet service requirements.</p> <p>12. Responsibility should be assigned for central oversight of procurement compliance. Consideration should be given to whether the Procurement team can be notified of purchase orders over certain values to instigate a compliance check.</p> <p>13. Signed contracts should be obtained before operations commence. Where the Council needs to assume "implied terms", the Council should ensure that they will</p>		

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			<p>be able to enforce the implied terms and corrective actions in an event of disputes or contractor performance issues.</p> <p>14. Contract files should be in place for all contracts evidencing decisions made. Clarification should be provided as to whether the Legal team or individual departments are responsible for retaining contract files. Having established this responsibility, orderly, transparent and auditable contract files should be maintained.</p> <p>15. The Council's approach to supply chain resilience should be developed. This should include:</p>		

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			<ul style="list-style-type: none"> • Requesting and undertaking appropriate financial checks; • Establishing the contract clauses required to protect the Council's interests, • Obtaining supplier business continuity plans; • Understanding where data will be held and accessibility of data; and • Gaining on-going assurance that the supply chain as a whole will continue to operate for the foreseeable future. For example attending the supplier's business continuity test and/or preparing supply chain resilience strategies. <p>16. Once documented, the roles and responsibilities should be communicated to relevant</p>		

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			<p>staff. This may be achieved through incorporating this into existing procurement or contract management guidance.</p> <p>17. A contract management framework should be developed and documented to set out how contract managers should monitor contracts; what information should be reported, and how the outcome of the monitoring should be recorded.</p> <p>18. There should be a process to facilitate central oversight of key contracts. Summary of monitoring outcomes should be recorded centrally in accordance with the contract monitoring framework mentioned above.</p> <p>19. Contract managers should be encouraged to seek advice</p>		

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			<p>from the Procurement team where appropriate, e.g., where contractors are found on a number of occasions to have breached the contract terms / failed on key deliverables. This may be facilitated in due course once the Contract Management Action Learning Group has been set up.</p> <p>20. Roles, responsibilities and reporting lines across the Council for the devolved procurement structure should be clearly defined and communicated to staff. It is acknowledged that the newly formed PPG should provide a mechanism to reinforce this as well as facilitating the coordination and ongoing scrutiny of procurement across the Council.</p>		

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			<p>21. Risk mitigating actions recorded on the Corporate Risk Register should be monitored to ensure implementation. This is timely considering that revised procurement processes are being established and the Corporate Governance service are planning for / implementing further changes.</p> <p>22. All staff and Members should receive mandatory fraud awareness training (incorporating Procurement fraud, bribery and corruption) endorsed by the Strategic Management Team.</p>	<p>22. This has been agreed in principle with the Section 151 Officer and a suitable trainer has been identified.</p>	
<p>7. Homelessness Reduction Act – Embedding of Revised Processes March & April 2019 (fieldwork) June 2019 (Draft)</p>	<p>Effective</p>	<p>Joint Group Heads Community Wellbeing</p>	<p>N/A. There are no recommendations arising from this audit review.</p>	<p>N/A.</p>	<p>Effective</p> <p>Corporate Risk Register</p>

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<p>8. Debtors</p> <p>February to April 2019 (fieldwork)</p> <p>May 2019 (Draft)</p> <p>June (Final)</p>	<p>Some Improvement Needed</p>	<p>Deputy Group Head for Customer Relations / Interim Customer Services and Revenues Manager / Chief Accountant</p>	<ol style="list-style-type: none"> 1. Consideration should be given to amending the financial reconciliation documentation to include the name of the Officer performing the reconciliation and the date the reconciliation was undertaken. Reconciliations should be dated and signed off by an independent officer or Manager as evidence of review. 2. The long standing entries held in the suspense account should be reviewed to ensure appropriate action has been taken to match outstanding items. Where there is little likelihood that items will be allocated, these should be written back. 3. The Council should review its current approach whereby all 	<p>Management will be requested to provide a status update on implementation in due course, which can be reported to the November Audit Committee.</p>	<p>Some Improvement Needed</p> <p>Corporate Risk Register</p>

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			<p>debts are referred back to the relevant service lines following the stage 3 reminder. Council departments should be given a strict deadline for reviewing their debts and seek the advice / lead of the Customer Service team when agreeing the most appropriate recovery steps to be pursued, given that the Debt Recovery team hold the relevant skills and expertise. If no response is received from the specific service line, recovery action should be initiated by the Customer Service team in accordance with the debt recovery policy (it is acknowledged the policy is currently being revised). This should incorporate the outstanding debts highlighted from the audit testing. Consideration should also be given to reporting</p>		

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			<p>these debts to the Corporate Debt Group to provide oversight over the responsiveness of service lines and action being taken by Customer Services to pursue debts.</p> <p>4. The revised Debt Recovery Policy / Procedure to be issued to the Corporate Debt Group.</p> <p>5. The Corporate Debt Group should periodically seek Management assurance that write off activity for sundry debts is taking place on a regular basis.</p> <p>6. The current write off procedure should be brought in line with the Council's Financial Regulations. Management should also ensure that both the Financial Regulations and the</p>		

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			<p>Debt Recovery Policy / Procedure clearly state who has delegated authority to write off items which are in excess of £3,000 (and are not Council Tax or Business Rates debts).</p> <p>7. A centralised, electronic record of all suppressed accounts should be put in place and this should include details of the suppressed accounts, as well as any reasons for the suppression and end / review dates.</p>		
<p>9. Payroll</p> <p>March/April 2019 (fieldwork)</p> <p>Following clarification in some areas, Draft Report to be issued for further discussion. Improvement actions already highlighted with management.</p>	<p>Some Improvement Needed</p>	<p>Group Head Commissioning and Transformation/Human Resources Manager</p>	<p>1. Where previous recommendations relating to the 2017/18 Audit remain outstanding these have been highlighted.</p> <p>2. The monthly reconciliation between I-Trent and Integra should be completed on a monthly bases and</p>	<p>Management will be requested to provide a status update on implementation in due course, to be reported to the November Audit Committee.</p>	<p>Some Improvement Needed</p>

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			<p>independently reviewed, with consideration given to retaining electronic evidence of sign off. (See Main Accounting Systems Audit also)</p> <p>3. Draft contracts of employment should be documented, evidenced on file and approved by the HR Manager, which will help to ensure that accurate and appropriate contracts are issued to employees of the Council.</p> <p>4. Staff should be reminded that employment forms should only be accepted for processing if they have been signed by an approved signatory. A copy of the approved signatory listing should be circulated for information.</p>		

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<p>10. The new Spelthorne Leisure Centre</p> <p>April & October 2019 (fieldwork) December 2019 (Draft) February 2019 (Final)</p>	<p>N/A Project Status Report</p>	<p>Deputy Chief Executive (LO)</p>	<p>1. This project should have as a minimum:</p> <ul style="list-style-type: none"> • A project charter which defines the project scope; • A steering group* • Formal, approved terms of reference for the steering group; • A clear set of regular reporting arrangements (defined in 3) above; • A detailed plan which covers all aspects of the project <p><i>*This could comprise the Project Lead Team if the latter contains the necessary individuals</i></p> <p>2. The project plan should identify all key points at</p>	<p>For recommendations 1 to 5, 7 to 10 status updates are required. Recommendation 6 – Implemented</p>	

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			<p>which approval of the next stage is required and by whom this approval should be given.</p> <p>Arrangements should be made in advance of approval being required for the matter to be placed on the agenda of the relevant body or the need for approval should be otherwise notified to individual/body in advance so that the necessary work can be planned.</p> <p>All approvals should be given in writing. The record should contain a clear statement of exactly what has been approved (and, if it aids clarity, what has not been approved). It should also show clearly who has given the approval and when that approval was given.</p>		

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			<p>3. A Project Challenger (someone independent of the project team) should be appointed to give those involved in the governance of the project independent assessment of the progress and likely success of the project.</p> <p>4. The council should set a maximum "cost", using whatever metric it considers appropriate and taking into account other demands on its resourcing, that it is prepared to pay for the new leisure centre.</p> <p>A financial assessment of the proposed option (s) should then be carried out to determine whether it is likely to fall within this limit. If this is not/unlikely to be the case, consideration should be</p>		

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			<p>given to revising or stopping the project.</p> <p>Full details of the financial implications of the project should be included in the supporting papers given to the governing body asked to approve the project.</p> <p>5. Negotiations with EA to extend their contract to operate the existing SLC in the event that this is necessary should commence as soon as possible.</p> <p>Any maintenance tasks (and associated costs) necessary for the continued operation of the existing SLC for a period beyond 2021 should be identified to enable the council to determine whether it would be financially worthwhile continuing to operate the</p>		

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			<p>existing SLC if that were to become necessary.</p> <p>If continued operation would be viable, these tasks should be carried out at an appropriate time to enable the centre to continue operating if required.</p> <p>6. It is timely to seek/revisit professional advice as to whether it is possible and practicable to extend the economic useful life of the existing SLC and to what extent this can be done in a way that will meet the council's aspirations for the future. If it transpires that the above is both possible and practicable, the costs and related revenues of refurbishing the existing SLC should be determined and calculations performed so that an informed judgement</p>		

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			<p>can be made about the best way for the council to achieve its objectives. This can then be considered as an option alongside all other viable options. When the project is submitted for approval by the relevant governing body, all the advantages/benefits which it will bring should be stated and explained clearly in the supporting documentation.</p> <p>7. The objectives for the project should be specific, measurable, achievable, and realistic and time bound.</p> <p>8. When the operator contracts come up for renewal they should be tendered separately as well as on a combined basis so the council can choose the optimum arrangement.</p>		

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			<p>9. Management should establish a formal control process to ensure that lessons learned documentation is updated for all key lessons learned on a timely basis to ensure that everything that should be recorded actually is.</p> <p>10. Management should establish a formal control process to ensure that key project managers should be required to review (and evidence such review) the Council's existing documentation at appropriate times to ensure that past Council learnings are incorporated into the current project.</p>		

WORK IN PROGRESS (DEFERRED ASSIGNMENTS)

The following audits were deferred at the request of Management in the majority of cases to commence during quarter 1 of the 2019/20 financial year and are currently being finalised. Any issues arising are being considered and audit recommendations for these assignments including assurance opinion ratings will be reported to Audit Committee in November 2019.

Creditors (Core Financial System)

- Authority limits established for invoice payments should be reviewed for appropriateness and Managers reminded as to their specific limits.
- Officers responsible for processing payments should ensure that for non-purchase order payments the PL3 forms are correctly authorised prior to processing/issuing payments, supported by appropriate independent scrutiny of all higher value payments.

Cash and Bank (Core Financial System)

- Segregation of duties should be consistently applied where officers are processing cash and reviewing daily control sheets.
- There is scope to review and refresh cash handling and banking procedures.
- There is a lack of procedural guidance around Cash book/ financial reconciliation exercises, to be addressed as part of the Finance procedure manual review (see Main Accounting Systems Audit).
- Independent review of financial reconciliation exercises should be consistently evidenced.

Development Control – Fieldwork has been completed and audit conclusions are being finalised for draft report stage.

Commercial Asset Acquisitions and Investments – A programme of risk and control evaluation, review of governance arrangements and compliance testing continues for this area and findings will be reported in due course.

Bed and Breakfast Accommodation - Internal Audit were made aware during 2018/19 of a number of operational issues and control weaknesses relating to the Rent Management system (Bed and Breakfast Accommodation element). In particular poor system integrity leading to a significant level of aged debts and financial losses. The audit is progressing.

Follow Up Audit Recommendations	Managers are requested to advise on the status of audit recommendations issued to assess implementation. This should encourage greater management ownership of control systems and risk mitigation. Previous recommendations are also followed up at every audit review (where applicable) and as part of the annual/ interim audit reports.
Assurance templates	Internal Audit have continued to encourage Managers representing the first line of defence in the overall assurance framework to provide assurance that controls in their functions/services are operating effectively. Where considered appropriate assurance templates have been populated highlighting key risks within the function and Managers asked to confirm that controls are operating as described. Whilst Internal Audit have facilitated this process, ownership of controls and effective risk management remains with Management.

Other work including corporate tasks

Statutory requirements / Audit Committee / External Audit	<ul style="list-style-type: none"> ❖ Reporting to Audit Committee three times a year (9 reports per year) includes Internal Audit activity ❖ Following up actions raised by Audit Committee members ❖ Input to Audit Committee Training provided by external trainer in July 2018 ❖ Internal Audit Planning Process for 2019/20 including consultation with Group Heads and Managers ❖ Annual Audit Opinion & input to Annual Governance Statement ❖ Liaison meetings with the new External Auditors (BDO) to discuss working approaches, audit findings and key timelines. Discussions held also as part of the Interim Audit of January 2019 ❖ Audit Planning including timings, allocations, scoping and prioritisation review ❖ Preparation of audit briefs, terms of reference and work programmes ❖ Supervision and guidance including quality review process for every audit review undertaken ❖ Finalising audit reports ❖ Responding to Senior Management requests to defer planned audit assignments / reduce scope
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Corporate Risk management	<p>The Internal Audit Manager continues to coordinate the Council's Corporate Risk Register which represents the Council's most significant risks and reports regularly to Audit Committee and Cabinet. Discussions around having a risk appetite statement for Spelthorne have commenced. There is recognition that formulating such a statement which will need to be led by the strategic management team, as well as establishing the broad categories for which it might be useful to highlight different risk appetites and subsequently identifying all the associated processes to meaningfully embed any agreed risk appetite will require significant time and resource to implement. The work on the new Investment Strategy has had input to this process as there is a requirement to articulate risk appetites for all investments.</p>
Corporate Counter Fraud	<ul style="list-style-type: none"> ❖ Collate and monitor quarterly fraud returns for submission to Surrey County Council. Significant payback/returns are continuing to be achieved from the counter fraud work and as at 31.3.19 the cumulative return for Spelthorne (since the start of the Surrey Fraud Partnership in 2015), in terms of notional savings to the public purse equates to just under £2.5m, of which £482k represents cashable savings for Spelthorne. Spelthorne's overall return as at 31.3.19 is the third highest across the eight Surrey Partners who participate in the Surrey Counter Fraud Initiative. ❖ Spelthorne is procuring counter fraud resource/services from Reigate and Banstead to target areas which are likely to generate greater financial payback (business rates and housing) and a further growth bid has been secured from 2019/20. Collaborative working has produced positive outcomes particularly in Housing with enhanced verification checks for new Housing register and homelessness claims. Positive results were publicised to serve as a deterrent. Discussions have taken place regarding scope for greater focus on social housing fraud going forward and we wish to work closer with social housing providers to address this issue. There have also been wider benefits for Spelthorne's Housing team with opportunities to enhance learning and skills in this area, which has been positively embraced. Reigate are also assisting on Council Tax support investigations, given the DWP'S direction on joint working. ❖ Spelthorne participated in a County wide led exercise on Single Person Discount fraud, which generated £241k in terms of savings to the public purse with Spelthorne's share of this being approx. £26k. This prompted further work on smart referrals (cases of on-going fraud) which was managed by Reigate's Counter Fraud team. It is envisaged that such exercises will continue to be undertaken on an annual basis. ❖ External groups are attended with Surrey Partners including the Surrey Counter Fraud Board (SCFB). This enables the sharing of knowledge and best practice approaches in tackling housing fraud/business rate avoidance and evasion, as well as opportunities to participate in joint data sharing exercises in the fight against fraud. Officers are encouraged to attend relevant sub-groups such as the NNDR sub-group and Housing Tenancy forum.

	<ul style="list-style-type: none"> ❖ Internal Audit circulates details of frauds and scams identified nationally or locally to make staff aware of risks. ❖ All audit reviews consider fraud risks and incorporate into audit work programmes. However, it remains the responsibility of management to ensure they have systems in place to prevent and detect fraud. ❖ The Anti-Fraud, Bribery and Corruption Strategy was reviewed and refreshed in March 2019 by the Internal Audit Manager and reported to Audit Committee. Liaison with the Communications team took place to ensure the latest Confidential Reporting Code (Whistleblowing) poster is publicised in all satellite offices. ❖ The need to organise some refresher training/awareness raising sessions on Counter Fraud, Bribery and Corruption for all Officer and Members was identified, an agenda prepared and a suitable trainer is being considered, with a view to running mandatory sessions in the Autumn (2019). This session will also be a useful opportunity to continue to raise awareness around known risks and vulnerabilities relating to Serious and Organised Crime (further to the previous Police led session of November 2018 promoting the Governments strategy). ❖ Responding to Freedom of Information Request (Counter Fraud)
External Quality Assessment of Internal Audit	<p>In compliance with Public Sector Internal Audit Standards (PSIAS) this was undertaken through a reciprocal arrangement with two other Surrey authorities. As part of this process the respective Internal Audit Managers/Heads of Internal Audit have each completed a detailed PSIAS self-assessment document and collated associated evidence which was validated by peers. The findings and recommendations were shared with the Audit Committee in November 2018. Agreed actions are being pursued and areas of attention addressed during 2018/19 include:</p> <ol style="list-style-type: none"> 1. Corporate Risk Management – As the Internal Audit Manager continues to coordinate the Corporate Risk Register, the importance of safeguarding Internal Audit independence in reviewing Corporate Risk management arrangements has been highlighted to the Corporate Risk Management Group, Section 151 Officer and Chief Executive and discussions held regarding approaches. 2. Identification of ‘Audit Need’ and due consideration of resource requirements to deliver this was introduced as part of the Annual Audit Planning Process for 2019/20.
Audit Resource Planning	<p>Following the departure of the former Senior Auditor in May, an options paper for future resource was prepared and considered. A recruitment process took place to fill the vacant post and an appointment made which took effect from November 2018.</p>

	<p>Spelthorne have joined the Apex Framework for Internal Auditor Resource which provides a mechanism to procure Auditor days from the designated company as required. The Internal Audit Manager liaised closely with Legal and the Procurement Officer in considering this option which also provides access to both generalist and specialist skills such as ICT and Contract auditing. The Internal Audit Manager continues to work with the service provider to progress and oversee audit engagements and opportunities for contractor feedback and performance monitoring ensure continuous improvement.</p>
Audit advice to management & Liaison (responsive and pro-active work)	<ul style="list-style-type: none"> ❖ Attendance at working groups to offer advice where appropriate on risk and control implications, (Corporate Risk Management Group, Corporate Debt Group, ICT SIG, Information Security Review Group). ❖ Housing Benefits relating to a potential conflict of interest ❖ Property Development Unit – reviewed and advised on the specification for the new Property Management system ❖ New Homes Bonus – checks undertaken confirming accuracy ❖ Legal liaison over contracts involving the processing of personal data ❖ Assets (Letting of Contracts) – liaison with Runnymede Building Services regarding quality audit undertaken and advice to Spelthorne Assets team ❖ Elections – Data Sharing/access for fraud prevention purposes ❖ Human Resources – Transparency Code ❖ Guidance / clarity on format of management responses to audit recommendations ❖ Emergency Planning and Business Continuity Procurement ❖ Corporate Governance – sharing of money laundering risk assessment template (regulations 2017) and discussions around scope for refresher training ❖ Accountancy – bond records ❖ Root and Branch review for Accountancy and Section 106 agreements – advised on processes and shared Internal Audit reports from previous reviews undertaken ❖ Various MAT reports – governance, risk and control issues ❖ Confidential advice to some service areas/special investigatory work ❖ Neighbourhood Services regarding vehicle disposal procedures ❖ Following Internal Office moves advised on cash security arrangements ❖ Suspected money laundering activity referred to the Head of Corporate Governance ❖ Policy reviews such as Corporate Debt Recovery and Gifts and Hospitality

Internal Investigations	<ol style="list-style-type: none"> 1. Investigation 1 – Financial losses from fraud amounted to approx. £3.5k and there is a possibility that the total losses exceeded this sum but cannot be substantiated from existing evidence available. A number of improvement measures outlined by Internal Audit aimed at strengthening controls have been taken forward. 2. Internal Audit have supported and advised on other special investigations during 2018/19, some of which are ongoing. Any financial losses identified will be reported in due course. Where appropriate improvement measures have been highlighted aimed at strengthening the control environment, thereby reducing future fraud, bribery and corruption risks.
Miscellaneous	<p>Various as summarised below:</p> <ul style="list-style-type: none"> ❖ Input to government led study into the risks around Procurement fraud, bribery and corruption ❖ Attendance at Corporate training sessions ❖ Continuous Professional Development, training and support including consideration of study options for the newly recruited Senior Auditor to undertake the Certified Internal Auditor (CIA) professional qualification ❖ Service Planning ❖ Performance Management ❖ General/team management (staff training/Inductions/ admin/GDPR/ Budget/Service Continuity Planning etc.) ❖ Liaison with Human Resources and Legal ❖ Project Lima (Office move) – three office moves took place during 2018/19 and included secure disposal of manual information to help reduce storage ❖ MAT feedback meetings with the Deputy Chief Executive ❖ Corporate staff meetings ❖ Support for charitable events

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Audit Committee

25 July 2019



Title	Internal Audit Charter		
Purpose of the report	To note		
Report Author	Internal Audit Manager, Punita Talwar		
Cabinet Member	Councillor Tony Harman	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	The Audit Committee is required to review and approve the revised Internal Audit Charter.		
Reason for Recommendation	That the Audit Committee approves the Internal Audit Charter which is compliant with the mandatory Public Sector Internal Audit Standards.		

1. Key issues

- 1.1 The Audit Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the mandatory UK Public Sector Internal Audit Standards. The charter sets out the nature of services that internal audit will provide and how internal audit will help the organisation to achieve its objectives.
- 1.2 The Audit Charter has been revised to ensure it is still compliant with the mandatory Public Sector Internal Audit Standards (PSIAS) which came into effect from April 2013 with subsequent revisions from April 2017. This also completes one of the actions arising from the Internal Audit Manager's annual review of the 'effectiveness of internal audit' and the recent external quality assessment undertaken to assess Internal Audits conformance with PSIAS.
- 1.3 A full review and refresh of the Charter has been undertaken incorporating a number of changes to update the previous document. The latest CIPFA statement on '**The Role of the Head of Internal Audit**' (published April 2019) sets out 5 core principles and has also been considered for the purpose of this review. This places greater emphasis on the organisations responsibility to support the role of internal audit in order to enable the function to effectively meet its expected professional standards. This statement is therefore insightful for all parties including the Strategic Management Team, Audit Committee and Internal Audit Manager in striving for continued effectiveness.
- 1.4 The revised Charter is attached at Appendix 1. The Audit Committee is responsible for approval of the Charter.

1.5 The revised Internal Audit Charter includes the following sections (most of these were in the previous charter but the content has been expanded and amended as appropriate):

- (a) **Application of Charter and review** - In PSIAS the 'Head of Internal Audit' role is referred to as the Chief Audit Executive. The Internal Audit Manager at Spelthorne represents the 'Head of Internal Audit' and therefore as Chief Audit Executive is responsible for applying the Charter and keeping it up to date on a biennial basis.
- (b) **Purpose and Mission** –Includes a mission statement as set out in PSIAS. The mission of Internal Audit is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. There is also reference to supporting the successful achievement of the Council's strategic objectives and priorities.
- (c) **Statute** – Legislative requirement for Internal Audit including responsibilities of the Section 151 Officer/Chief Finance Officer.
- (d) **Access and Authority** – Highlights the importance of Internal Audit having unrestricted access to all records, officers and Members.
- (e) **Responsibilities and Scope** - Sets out core responsibility in providing independent and objective assurance to the Council on the adequacy of internal systems of control, risk management and governance arrangements. A key outcome of internal audit activity is an evidence based annual audit opinion representing a key assurance statement for the Council.
- (f) **Independence** – The importance of this fundamental principle of auditing is explained as well as how organisational independence is achieved. Appropriate arrangements will be put in place to safeguard the independence of Internal Audit where it is involved in non-audit duties (corporate tasks) or consultancy and advisory work that falls outside the key assurance role.
- (g) **Audit Reporting** - PSIAS requires the Chief Audit Executive (Internal Audit Manager at Spelthorne) to be appropriately positioned, reporting at the highest level of the organisation with free and unfettered access. This includes reporting to both the executive (strategic management team) and non-executive board represented by the Audit Committee.
- (h) **Engagement** –Internal Audit engage and consult with senior management as part of the audit planning process and there is reference to the 'added value' role of in advising on emerging risks.
- (i) **Fraud, Bribery and Corruption** - Internal Audit and management responsibilities are outlined including the importance of alerting the Section 151 Officer and Internal Audit Manager immediately where irregularities are suspected to enable appropriate action to be taken to safeguard the authority's assets. Promotion of an anti-fraud, bribery and corruption culture.

- (j) **Audit Resources and competencies** – Current staffing levels, Internal Audit and management responsibilities in considering whether the Internal Audit function is sufficiently resourced, how auditor competencies and proficiencies are assessed.
- (k) **Audit Approach and Service Delivery** – Some of the core duties in managing the delivery of the audit service. Reference is also made to the Council developing an assurance framework to articulate the alternative sources of assurance (both independent sources and other).
- (l) **Professional Standards and Ethical conduct** – The importance of exercising due professional care through adherence to statutory requirements, core principles and professional codes of conduct/frameworks.
- (m) **Quality Assurance** - Mechanisms in place and further development of a programme to demonstrate how the function is operating effectively.

2. Options analysis and proposal

2.1 There are no options.

3. Financial implications

3.1 N/A.

4. Other considerations

4.1 None.

5. Risks and how they will be mitigated

Failure to adhere to professional mandatory standards and position statements from relevant Audit and Accounting professional bodies could compromise the effectiveness of the Internal Audit function, thereby reducing value to the authority and its stakeholders. It could also reduce the level of independent assurance the authority receives on how well systems of internal control are operating and whether risks are being effectively managed, potentially leading to increased financial losses and reputational damage and weakened governance arrangements.

6. Timetable for implementation

6.1 Immediate implementation.

Background papers:

There are none

Appendices:

Internal Audit Charter

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Appendix 1

Internal Audit Charter – Spelthorne BC

1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the mandatory UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be the Council’s Management Team (MAT) and the “board” will be the Audit Committee.

In PSIAS the ‘Head of Internal Audit’ role is referred to as the Chief Audit Executive. The Internal Audit Manager at Spelthorne represents the ‘Head of Internal Audit’ and therefore as Chief Audit Executive is responsible for applying this Charter and keeping it up to date. The Charter shall be reviewed biennially (once every two years) and approved by MAT and the Audit Committee.

The latest CIPFA statement on *‘The Role of the Head of Internal Audit’* (published 2019) places greater emphasis on the organisations responsibility to support the role of internal audit in order to enable the function to effectively meet its expected professional standards. (See below) Therefore the Strategic Management Team (comprises Chief Executive - Head of Paid Service, and two Deputy Chief Executives one of whom is the Section 151 Officer) and the Audit Committee are expected to familiarize themselves with their specific responsibilities.

‘The aim of this Statement is to set out the role of the HIA in public service organisations and to help ensure organisations engage with and support the role effectively’. (CIPFA 2019)

2. Internal Audit Purpose and Mission

The mission of Internal Audit is ‘to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’. (PSIAS)

Internal Audit is defined in the PSIAS 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.”

Internal Audit supports the whole Council to deliver services economically, efficiently and effectively and achieve the Council's vision, priorities, strategic objectives and values, whilst giving due regard to effectively managing risk.

3. Statutory Requirement

Internal Audit is a statutory service. The authority of the Internal Audit function is derived from legislation and for local authorities this is implied by Section 151 of the Local Government Act 1972. The Council's S151 Officer (Deputy Chief Executive/Chief Finance Officer) has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other sources, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

The CIPFA Statement on *'the Role of the Chief Financial Officer in Local Government'* states that the chief financial officer (CFO) must:

- ensure an effective internal audit function is resourced and maintained
- ensure that the authority has put in place effective arrangements for internal audit of the control environment
- support the authority's internal audit arrangements, and
- ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

The Accounts and Audit (England) Regulations 2015 more specifically state the requirement for every local authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance.

This statutory role is recognised and endorsed within the Council's Constitution (Financial Regulations).

4. Access and Authority

The regulations referred to under section 3 require any officer or Member of the Council to:

- make available such documents and records; and
- supply such information and explanations;

As are considered necessary by those officers conducting the audit.

The scope of Internal Audit's remit includes the organisation's entire control environment and the Audit Committee authorises the internal audit department to have free and unrestricted access to all functions, records and assets deemed necessary by auditors in the course of internal audit work. Internal Audit will give due regard to confidentiality and safeguarding in

securing such records. In addition, Internal Audit will have unrestricted access to the Audit Committee, Chief Executive, Deputy Chief Executives, Members of the Council and all employees of the authority.

PSIAS also recommends that the Chief Audit Executive holds independent meetings with the Chair of the Audit Committee at least once a year (this has been referred to in the annual effectiveness review of Internal Audit, reported to Audit Committee in November 2018). This is being arranged with the new Audit Chairman at appropriate intervals.

In order to establish, maintain and assure that Spelthorne's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the internal audit charter
- Approve the risk-based audit plan
- Receive and consider periodical reports from the Internal Audit Manager on recommendations arising from planned assurance reviews and other work undertaken
- Receive and consider the annual audit opinion which supports the Annual Governance Statement

5. Internal Audit Responsibilities and Scope

Internal Audit is not responsible for control systems or their implementation. Responsibility for effective internal control and risk management rests with the management of the Council, as they represent the second line of defence in the overall assurance framework.

Internal Audit are responsible for providing independent and objective assurance on the adequacy of internal systems of control, risk management and governance arrangements, representing the third line of defence in the assurance framework. This ultimately provides the strategic Management Team and Members with assurance that helps them fulfil their duties to the Council and key stakeholders.

Annually the Internal Audit Manager is required to provide to the Audit Committee an overall opinion (evidence based) on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement. This is a key outcome of internal audit activity.

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities. The annual audit report (includes the annual audit opinion) should include a section on any impairments in the scope of internal audit for that year (if applicable).

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets including fraud risks and
- Compliance with laws, regulations, policies, procedures and contracts

6. Independence and Positioning

Internal Audit activity must be free from interference in determining the annual audit plan, scope of activity, performing work, sample selection and communicating results. This ensures that independence is preserved to ultimately enhance the value of the function to the authority and its stakeholders.

Organisational independence of Internal Audit is achieved in a number of ways:

- The Internal Audit Managers position in the overall management structure of the Council should have sufficient status and be of appropriate seniority in order to ensure that audit plans, reports and action plans are discussed effectively with both the Audit Committee and the strategic management team.
- It is important that the Internal Audit function is not placed hierarchically under parts of the organisation that are themselves subject to internal audit scrutiny. At Spelthorne the Internal Audit Manager reports directly to the Section 151 Officer (Deputy Chief Executive) who is part of the strategic management team, with a dotted line to the Chief Executive. The Internal Audit Manager also has a functional reporting relationship to the Audit Committee Chair as a non-executive board member.
- Internal Audit has freedom to reports in its own name and without fear of favour to, all officers and Members, with direct and unrestricted access to the Section 151 Officer, Chief Executive, Strategic Management Team and Audit Committee.
- The Internal Audit Manager's remuneration and performance appraisal is not inappropriately influenced by those subject to audit.
- Audit Committee approves (but does not direct) the Charter and Internal Audit Plan, being kept regularly informed of Internal Audit activities (see earlier reference to section on access and authority).
- Internal Audit recommendations including implementation status are reported to Audit Committee periodically.
- Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal Audit is segregated from operational responsibilities and every effort will be made to preserve objectivity by ensuring that Internal Audit staff do

not undertake any non-audit duties, with the exception of the following corporate tasks/responsibilities undertaken by the Internal Audit Manager:

- Co-ordination of the Council's Corporate Risk Register including reporting to Audit Committee and Cabinet (3 times a year);
- High-risk public fraud - collating and monitoring counter fraud returns/pursuing collaborative working arrangements with Partners for fraud referrals; promoting and encouraging counter fraud measures across the authority.
- Annual review of the Anti-Fraud, Bribery and Corruption Strategy

At the Internal Audit Manager's discretion, involvement of the audit team may also include:

- Consultancy services – for example, providing advice on implementing new systems and controls or organisational efficiency reviews. Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee.
- Attendance at corporate working groups to offer advice on risk and control implications as appropriate but this will not involve decision making.

Appropriate arrangements will be put in place to safeguard the independence of Internal Audit where it is involved in duties that fall outside the key assurance role.

Internal Auditors will maintain an unbiased attitude that enables them to perform audit engagements objectively and in such a manner that quality is not compromised, and they do not subordinate their judgement on audit matters to others. Should at any time any threats to objectivity be identified at any level (Auditor/organisationally/functionally), these will need to be managed as appropriate. All auditors are aware to identify any threats to objectivity as set out in the PSIAS Code of Ethics.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed. If the Internal Audit Manager feels that independence or objectivity may be impaired, the details of impairment will be disclosed to relevant Officers.

7. Reporting Lines

PSIAS requires the Internal Audit Manager to be appropriately positioned, reporting at the highest levels of the organisation and this is done in the following ways:

- The Internal Audit Manager reports directly to the Section 151 Officer (Deputy Chief Executive). Regardless of line management arrangements, the Internal Audit Manager has free and unfettered access to report to the Chief Executive; Strategic Management Team; the Audit Committee Chairman; the Leader of the Council and the Council's External Auditor;
- Audit draft reports are circulated to the Section 151 Officer (Deputy Chief Executive who is also part of the Strategic Management team);
- Audit final reports are circulated to the Strategic Management Team;
- The Audit Committee receives reports three times a year on internal audit activity, including audit recommendations on planned assurance work and status monitoring.

8. Engagement and Communication

Internal Audit reporting lines referred to under section 7 above ensure the Internal Audit Manager has the opportunity to engage with individuals at the highest level of the organisation on a regular basis including the Chief Executive, Strategic Management Team, and the Audit Committee.

All Group Heads and Managers are consulted as part of the annual audit planning process which feeds into defining the audit need. To help services to develop greater understanding of the role of audit and have a point of contact in relation to any support they may need on governance and control issues (both at a corporate and service level), the Internal Audit Manager will attend either MAT Plus or DMT meetings (as appropriate) quarterly to provide senior management with an opportunity to discuss emerging risks and key developments within their service areas. This may help towards embedding a risk management culture across the Council. Internal audit will consider any impact on its work plan, offering advice and/or insight focussing on priority areas. Such measures represent 'added value' in terms of the audit role beyond the core planned assurance work.

9. Fraud, Bribery & Corruption

'Managing the risk of fraud and corruption is the responsibility of management. Internal Audit does not have responsibility for the prevention or detection of fraud and corruption.Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.' – CIPFA.

Internal Audit will however be alert in all its work to risks and exposures that could enhance opportunities for fraud, bribery or corruption.

The Section 151 Officer and Internal Audit Manager should be informed immediately of all suspected or detected fraud, bribery, corruption or irregularity. Internal Audit will consider the adequacy of the relevant control framework, recommend improvements to strengthen controls to minimise future fraud risks, and evaluate the implication for their annual opinion on the control environment.

Internal Audit will investigate allegations of fraud in line with the Council's Anti- Fraud, Bribery and Corruption Strategy. There may be a requirement to bring in Investigators to lead or assist Special investigations (relating to suspected internal fraud or irregularity) as there is insufficient capacity within the Internal Audit team to undertake the whole process, particularly given that investigations are often by their nature very resource intensive. Furthermore, this approach can provide access to specialist expertise including Financial Investigator resources and Forensic Analysts, contributing to a more successful outcome. Discretion and confidentiality will be applied throughout the process.

The service may go beyond the work needed to meet its assurance responsibilities to support or lead investigations as required but this will be dependent on circumstances and resources available.

The Head of Corporate Governance is responsible for investigating allegations of bribery and corruption.

Internal Audit together with the strategic management team will promote an anti-fraud, bribery and corruption culture within the Council to aid the prevention and detection of fraud, bribery and corruption. This will be achieved through continued annual review of the Anti-Fraud, Bribery and Corruption Strategy and refresher counter fraud training /awareness raising.

10. Resources and Competencies

The Internal Audit Manager is responsible for managing and delivering the internal audit service at Spelthorne and reports directly to the Section 151 Officer (Deputy Chief Executive).

The service currently comprises a total of 1.75 FTE (established posts) as follows:

Internal Audit Manager (.75 FTE)

Senior Internal Auditor (1 FTE)

A small budget is available for external contract audit resources to supplement the internal audit team.

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Internal Audit Manager is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives. Where resource shortfall is identified, the impact on the audit plan will be communicated and the strategic Management Team have the authority to consider and approve any growth in audit resources subject to the annual growth bid process.

‘Responsibility for ensuring that an effective and appropriately resourced internal audit service is in place rests with the organisation’ (CIPFA 2019 statement on the role of the Head of Internal Audit).

In some instances short term resource may be required to provide resilience where for example there are vacant posts or unplanned absences.

PSIAS stipulate that the Chief Audit Executive must be a fully qualified Auditor or Accountant to undertake their duties. The Internal Audit Manager achieved the full Chartered Institute of Internal Auditors (CMAA) qualification in 2002 and has gained a considerable amount of audit experience at Spelthorne.

The Internal Audit Manager is responsible for appointing Internal Audit staff including Contractors and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience, expertise and audit skills. The Internal Audit Manager may engage the use of external resources where it is considered appropriate, including the use of subject matter experts in areas such as ICT and Contract Auditing.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme (CPD). In addition Auditor competency is assessed and supported through the following measures:

- The skills and competencies for each level of auditor are defined in job descriptions and person specifications that are all approved through the Council’s formal processes. These are reviewed and updated as necessary for example when recruiting for new Auditors or if there have been significant changes to responsibilities.
- Internal Auditors have access to an Internal Audit Manual setting out operational standards and processes, subject to periodical review.
- Each audit review is overseen by the Internal Audit Manager at key stages to ensure appropriate supervision and direction, taking into account the level of Auditor experience/skills/qualification. This includes a robust quality review process on completion of the work.
- Annual performance appraisal reviews and periodical one to one’s are undertaken for all staff. Auditor training and personal development/qualification needs are identified through this process.
- Competency matrices are being further developed for all Internal Audit staff.

11. Audit Approach and Service Delivery

‘Head of internal audit - The executive responsible for the organisation’s internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion’. (CIPFA Statement 2019 on the Role of the Head of Internal Audit)

The Internal Audit Manager at Spelthorne will be required to manage the provision of an audit service to the authority which will include advice to Services as required. In discharging this duty, the Internal Audit Manager will:

- Prepare an annual risk-based Internal Audit Plan which aligns to the organisation’s strategic objectives and will support the annual internal audit opinion, for formal approval by Management Team and Audit Committee. The plan will set out planned assurance assignments and other types of work, prioritised as appropriate and allowing for some flexibility to take into account changing risk priorities/emerging risk areas. The methodology applied in determining the audit need and audit plan is set out in the annual plan report to Management Team and the Audit Committee.
- Ensure effective delivery of planned audit reviews including scope determination, consideration of relevant risks (not just financial risks), and application of techniques required to accomplish audit objectives and offering appropriate steer and guidance to assigned Auditors.
- Ensure a system of supervision of internal audit work, giving due regard to compliance with audit processes and methodologies when performing engagements (identify/analyse/evaluate/document information), which support test results and audit conclusions all evidenced through sufficient working papers. Robust quality review of all audits are undertaken prior to issue of draft and final reports.
- Ensure all internal audit assignments and significant unplanned work will be the subject of formal reports aimed at enhancing systems of internal control and improving risk management. Draft reports will be sent directly to the managers responsible for the area under review for agreement as to the factual accuracy of findings and to provide management responses to audit recommendations. Reports contain an assurance opinion for the area being audited.
- Ensure that where there are factors which effect the delivery of an audit assignment such as significant delays from Management in providing responses to audit recommendations, resistance in cooperating with the audit process and failing to providing information requested, the matter will be escalated in the first instance to the Section 151 Officer and depending on the outcome the Chief Executive and/or Chair of the Audit Committee will be alerted.
- Highlight to both the strategic management team and the Audit Committee any management response to risk/audit recommendations that are deemed unacceptable.

- Ensure significant risk exposures and control issues including fraud risks and governance issues are considered for inclusion in the Council's Corporate Risk Register and highlighted to both the strategic management team and the Audit Committee.
- As External Audit share internal audit's interest in the governance, risk and control environment, regular liaison meetings will be held to enable sharing of plans and findings. External Audit also attend every meeting of the Audit Committee.
- Follow up Internal Audit Recommendations and report status of implementation to the strategic management team and Audit Committee.
- Attend every formal meeting of the Audit Committee & pre-briefs and at these meetings agenda planning is discussed. Prepare reports on internal audit activities including quality improvement measures as ascertained from effectiveness reviews (relating to the audit function) for presentation to the Audit Committee (3 times a year/9 reports). The Audit Committee are responsible for approving (but not directing) internal audit's strategy, plan and performance.
- On an annual basis issue an independent audit opinion on the Council's internal control environment, risk management arrangements and governance framework, which forms part of the Annual Audit report and Annual Governance Statement. (See section 5 above also)
- Given the limited audit resource available, audit will consider as part of its work the range and depth of assurance that is being provided from other assurance sources (internal and external). This should also help to reduce duplication and free up audit resources to provide greater independent assurance in other priority areas. Preparation of an overall assurance framework incorporating the three lines of defence is resource intensive and in line with best practice the strategic management team will be responsible for owning this framework and allocating resources to undertake the groundwork for this corporate task. Any such framework does need to be developed over time, requiring input from various Services including Internal Audit.
- Undertake specific corporate responsibilities as mentioned earlier under section 6.
- Periodically review the internal audit service plan which outlines the key performance data that will measure delivery of the service.

12. Professional Standards and Ethical conduct

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS, revised April 2016), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations. The UK Public Sector Internal Audit Standards set out core principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness.

Auditors must also adhere to codes of conduct and relevant standards/principles/frameworks/ linked to their membership of professional bodies such as the Chartered Institute of Internal Auditors (CIIA) and the Certified Institute of Public Finance and Accountancy (CIPFA). This includes due consideration of ethical principles, such as the 2018 CIPFA Standard of Professional Practice (SOPP) on Ethics and the Chartered Institute of Internal Auditor's Global Code of Ethics. All Auditors are required to sign up to the code of ethics on an annual basis.

The latest CIPFA statement on 'The Role of the Head of Internal Audit' (published 2019) places greater emphasis on the organisations responsibility to support the role of internal audit in order to enable the function to effectively meet its expected professional standards.

'The aim of this Statement is to set out the role of the HIA in public service organisations and to help ensure organisations engage with and support the role effectively'. (CIPFA 2019)

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

All Internal Audit staff should be aware of and comply with the Council's policies and procedures.

In carrying out their work, Internal Auditors must exercise due professional care by considering:

- (i) The extent of work needed to achieve the required objectives;
- (ii) The relative complexity, materiality or significance of matters to which assurance procedures should be applied; and
- (iii) The adequacy and effectiveness of governance, risk management and control processes;
- (iv) The probability of significant errors, fraud or non-compliance; and
- (v) The cost of assurance in proportion to the potential benefits.

13. Quality Assurance and Improvement Programme

The Internal Audit Manager will oversee the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance compliant with PSIAS is maintained. As part of demonstrating this compliance an annual review of the effectiveness of the system of Internal Audit is undertaken and reported to Audit Committee. In addition an external quality assessment will be carried out once every five years by a suitably qualified, independent assessor. This was undertaken during 2018/19 and areas of good practice identified from the review were highlighted to the Audit Committee, together with a few improvement actions.

Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, will be disclosed to the Audit Committee. Any significant deviations will be considered for inclusion in the Council’s Annual Governance Statement.

A Quality Assurance Improvement Programme (QAIP) is to be developed further in 2019/20 which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides

Audit Charter reviewed by
Internal Audit Manager
Punita Talwar
June 2019

Signatures & Dates:

Chief Audit Executive (Internal Audit Manager), Punita Talwar
.....

Section 151 Officer/Chief Finance Officer (Deputy Chief Executive),
Terry Collier

Chief Executive, Daniel Mouawad.....

Chair of the Audit Committee, Councillor Joanne Sexton

Audit Committee**25 July 2019**

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

1. Key issues

- 1.1 The need to review arrangements for corporate governance and internal control and to produce the Annual Governance Statement (AGS), attached as Appendix 1, is given statutory backing by the Accounts and Audit Regulations 2015. The CIPFA/SOLACE governance framework 'Delivering Good Governance in Local Government' brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation CIPFA has assigned proper practice status to the governance framework.
- 1.2 It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and (where applicable) leads the community. The degree to which the authority follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations. The Annual Governance Statement (AGS) sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The AGS also identifies any areas of significant weakness in internal controls, and areas for improvement, and the actions taken to remedy these.
- 1.3 The Annual Governance Statement relates to the system of governance arrangements and internal control as it applied during the financial year in this case, the 2018/19 financial year.

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

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

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

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

The sources of assurance include:

- Published documents (e.g. Constitution)
- Corporate management team and managers throughout the organisation assigned with the ownership of risks and delivery of services
- The Monitoring Officer
- The Responsible Financial Officer
- Internal Audit, particularly informed by the Internal Audit Manager's Annual Report opinion and conclusions.
- External Audit

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

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

1.6 An important source of assurance is provided by the work of Internal Audit and several of the control issues identified in the Statement relate to items identified in the Audit Services' Reports for 2017/18 which have been considered by the Audit Committee, particularly with respect to issues identified in the Corporate Risk Register.

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

2. Options analysis and proposal

2.1 It is proposed that the Audit Committee approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2018/19.

3. Financial implications

3.1 There are none

4. Other considerations

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

5. Equality and Diversity, and Sustainability

5.1 Effective governance controls aid in mitigating risks with respect to equality, diversity and sustainability

6. Timetable for implementation

6.1 Not applicable.

Background papers:

Appendices: Appendix 1: Annual Governance Statement

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Annual Governance Statement 2018-2019

Introduction

As Leader and Chief Executive we are acutely aware that everything the Council does relies upon a foundation of solid governance. We are charged by government to run the Council efficiently, effectively and economically. As a resident, you will want reassurance that proper systems are in place, not only to deliver the vital services on which you depend, but also that everything in the background is running properly, as it should.

We present this Annual Governance Statement to explain how we deliver on these expectations, to outline what we have achieved in the last year and tell you about the improvements we are currently working on. We hope that in reading this Statement you will be encouraged to explore further the work of your Council. You can read all of the documents to which we refer on our website. You can visit a Council Committee to see how we do business. You can discuss any of these matters with your local councillor.

The Council's vision for the Borough

The Council has a Corporate Plan. The last plan covered a considerable period of change from 2016-2019 and it put Housing to the top of the Council's list of priorities. We have delivered on the aspirations of the last Corporate Plan and we published an Annual Review document last year to explain in plain English and infographics the work which we have done.

The Corporate Plan feeds into the business plans of the different Council Services so that the organisation pulls in the same direction.

A new Council was elected in May 2019 and we will now proceed to produce a new Corporate Plan. However, there are a number of big issues which we are currently dealing with and all of these contribute to the way the Borough will look and feel in the future:

- **Housing.** We have a serious ongoing problem to provide our residents with affordable housing. We have started to address the problem by building houses and by setting up a new housing company Knowle Green Estates Ltd. We will review the purpose, corporate structure and governance of this company in the next year.
- **The Local Plan.** This is being reviewed and we encourage you to find out more about the changes this could bring. The Government is asking us to house more people and build more properties than ever before. This is a huge challenge in an urban area with a lot of Green Belt. We have to consider if we build higher density developments in our town centres or give up some of our Green Belt.
- **Heathrow Airport expansion.** The implications of this development are enormous. If you have not reviewed the information published by Heathrow Airport then we would encourage you to do so. This is not just a third runway, there is a wholesale change in the way in which the Airport will operate. The scale of development is unprecedented. You will be affected one way or another no matter where you live in the Borough because the effects on

transportation, congestion, pressure on housing, flight paths will be widespread. Although we have supported Heathrow's economic success in the past, we have always said it cannot come at any cost. We have issued a series of demands to Heathrow and we will continue to fight for you as the development enters its next stage of consultation.

- **Southern Light Rail.** For years the infrastructure needed for improved rail transport into Heathrow has not been delivered by the Airport or Network Rail. The Council now believes there is a credible and affordable option to promote a sustainable light railway to link Staines station to Heathrow. We think this option could be privately funded without taxpayer subsidy. If this could be built, this would encourage more people to leave their cars at home and provide better transport links for Airport workers. We will continue to explore this with Heathrow, Network Rail and the Department of Transport.
- **Town Centre Regeneration.** It is clear that there are changes in the way people shop and spend their time in town centres. We are determined that our town centres will not suffer. We will take steps to plan for the vibrant places you will want to visit. In the last Council we made improvements in smaller shopping parades as these also mean a lot for the quality of life of local people who use them.
- **Sustainability.** We have an Energy & Water Efficiency Policy (2015-2020). We have increased our renewables capacity with solar PV installations on 2 of our Day Centre's – produces 15% of the energy used by both sites. We are looking to install PV on other sites in the future. We have a continuing requirement on all new development to source 10% of the energy used onsite from renewable generation. We have provided EV charging provision at two of our public car parks (and one for staff at Council Offices) we are actively seeking opportunities for further funding to roll out charging infrastructure across the Borough. We continue to support residents in Fuel Poverty through the utilisation of Energy Company Obligation (ECO) Grant funding and a small capital fund (£30,000). The funding enables households in fuel poverty to cut their bills and reduce carbon emissions through installing energy efficiency measures. We have developed a Single-use Plastics Policy & Strategy being put forward for approval in June 2019

How we run the Council

The Council is managed by professional staff and governed by democratically elected councillors. There is a clear demarcation of roles and numerous systems and processes in place to make sure that things get done properly:

- **Constitution.** The Council reviewed its primary governing document during the last administration. It remains a modern and effective document. We will review it again during the course of this administration.
- **Policy Framework.** We have a number of important policies which are changed only by a majority of all councillors. These are reviewed regularly. The most important policy is the Local Plan and this is being reviewed at the present time.

- **Governance Framework.** We adhere to standards jointly published by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). These standards are adopted by most councils. We reviewed the framework in 2018 and we will keep it under review during the new Council administration.
- **Scrutiny of decisions.** Although the majority of decisions are made by the Cabinet or delegated to staff there are structures in place to hold these to account. We have an Overview and Scrutiny Committee and an Audit Committee which have cross party representation to review our performance and the quality of our decisions. As we have become financially self-sufficient as a result of our commercial property investments there is now more focus on how these decisions are made and the risks around property management. We will review or approach to this during the new administration.
- **Knowle Green Estates Ltd.** As our wholly owned company becomes more important in the delivery of our housing targets, we will ensure that it has independent auditors and that such audits feed into the Council's overall audit.

How we manage the finances

Nothing can happen in the Borough unless there is the money there to provide it. We have successfully delivered a programme of financial change. Our programme in the previous Council, *Towards a Sustainable Future*, delivered the sound basis on which we now proceed.

- **Commercial Property Investments.** Thirty percent of the money we need to run the Council and provide services for residents now comes from our commercial property investments. It is essential that these investments work for us and that we protect those investments for the long-term. We have a range of measures in hand to ensure that this happens. We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this £1billion portfolio. We will continue to do this. We have been open and transparent with residents' associations about what we are doing, why and how they are protected. We will continue this dialogue.
- **Capital Strategy.** In February 2019 we published our first Capital Strategy which is a plain English document explaining council borrowing and spending. It describes where we have come from, what we are doing with commercial property and how we are now subsidising provision of affordable housing. The Strategy also has a plain English Executive Summary to make it even more accessible for residents and it is backed up with technical appendices which explain the detail behind the strategy. We encourage you to read it. We will keep this document up to date so that it always explains what we are doing and how we are doing it.
- **Systems of internal control.** Apart from the headline making investments and the multi-million pound housing schemes, the Council has to have adequate systems in place to effectively manage risks, ensuring the day-to-day running of the business and the sound management of cash-flow. Managers are responsible for operating adequate systems of internal control to effectively manage risks within their Services, giving due consideration to

fraud risks. We have a Chief Finance Officer (CFO) who oversees these systems and they are regularly audited. Internal Audit findings are raised with management, and recommendations reported to the Audit Committee. There is regular budget monitoring by the Cabinet and Overview and Scrutiny and these papers are published on our website for you to read. We have a Medium Term Financial Plan and we review our finances against this. The CFO is a member of the Council Management Team.

How we ensure we are listening to you

- **Consultation with residents.** Many of our policy changes require formal consultation with residents. In other cases we consult informally to understand residents' priorities. In the last year we changed our approach on the building of a new replacement leisure centre as a result of public feedback. As we develop new facilities we will continue to consult with the most appropriate methods. We will publish details of all consultations on our website.
- **Channels of communication.** The Council has a number of ways it can engage with residents. We are always reviewing the most appropriate ways to communicate. We have appointed a new Communications Manager and will review our approach in this next year.

How we are accountable

The Council is a democratic body and the powers which we exercise are derived from the electors. There are numerous systems in place to allow members of the public to get information, ask questions, challenge the Council and get involved. Ultimately the entire organisation is governed by residents just like you. This gives the Council tremendous strength in deciding what needs to be done in the Borough and how we prioritise scarce resources for best effect. You can consider some of the many ways to get involved:

- Speak to your ward councillor or the Cabinet member responsible for the issue
- Complain about services you think are not performing (our complaints policy was reviewed and updated in 2017/18)
- Request information through Freedom of Information
- Ask questions at Council
- Present petitions
- Speak at Planning Committee about applications in your neighbourhood
- Join your local residents association

Almost all of the information you need can be found on our website and we only restrict publication of very limited material where there is good reason such as data protection rights of individuals or commercial confidentiality.

How we promote high standards in public office

The Council has a dedicated Members' Code of Conduct Committee. This Committee is guided by an Independent Chairman and Vice-Chairman. In the last year we also have recruited Independent Persons who are consulted on any complaints against councillors to say whether they should be investigated.

We have numerous policies and procedures in the Constitution to back up a strong ethical approach to local government. In the last year we received two complaints about councillors. One was considered insufficiently serious to warrant the expenditure of public funds on further investigation. One was referred for independent investigation and the outcome is awaited.

In the last year we have reviewed the Council's policy on Gifts, Hospitality and Sponsorship which applies to both staff and councillors.

How we learn and improve

Internal audit

The Council has an internal audit team which provides independent assurance to management and the Audit Committee on the adequacy of Council Services, systems and processes. This team has an internal audit plan which is discussed and agreed each year by the Audit Committee. The internal team operates to the Public Sector Internal Audit Standards. The effectiveness of internal audit is reviewed annually and an external quality assessment undertaken once every five years, with a review being undertaken in 2018/19.

The internal audit team works closely with the Council's external auditors.

Every year, the Internal Audit Manager issues an independent opinion in an annual report on the adequacy of the authority's internal control environment. This comments on the risks facing the Council and the adequacy of the Council's arrangements to manage those risks. It represents one of the key assurance statements the Council receives.

During 2018/19 the Internal Audit Manager reported on ten areas of which one was deemed 'effective' (satisfactory) and five were assessed as requiring 'some improvement', these five all being core financial systems. Of the remaining four areas reviewed, a total of 2 areas were identified as high risk or requiring 'major improvement', neither of which relate to core financial systems. For two out of the ten areas reviewed no assurance opinion is provided as they relate to Audit status reports (include audit recommendations) or Audit Needs Assessment to inform future work programmes.

The Internal Audit Managers opinion for 2018/19 is that the Council's internal control environment and systems of internal control in the areas audited were generally adequate, with the exception of the areas where improvements were recommended to address medium to high risks

The Council maintains a Corporate Risk Register, which is coordinated by Internal Audit and which is reported regularly to Management Team, Cabinet and Audit Committee. The Corporate Register identifies and evaluates the key corporate risks facing the Council, the mitigating measures in place, and tracks outstanding issues to address risks.

In 2018/19 this review highlighted the following areas which we will work on next year to improve the situation.

- **Policies and Procedures.** Some are out of date and need to be updated.

- **Housing Benefit Overpayments.** This is a challenging and complex area to recover money which is owed to the Council and so a number of measures to improve monitoring have been identified
- **System administrators.** There is an issue with segregation of duties which exposes the Council to risk if not mitigated by offsetting measures.
- **Independent review of key financial reconciliations and management oversight.** There needs to be improved controls to ensure discrepancies and miscodings are promptly identified, investigated and addressed.
- **Project management.** A range of improvements are required on culture, training and methodology.
- **Rent management system for Bed and Breakfast homeless bookings.** System issues are leading to a significant level of aged debts and financial losses.
- **Procurement.** A range of improvements have been identified for this area which has recently been restructured.
- **Authorisation of large value payments.** An issue was highlighted on authorisation limits and payment processing.
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Full details of these findings and the management response to them are to be found on the Audit Committee pages on our website (July 2019).

External audit

In February 2019 we received the long-overdue KMPG report on the 2016/17 accounts. The Council complained to KMPG about the way in which this audit was conducted and the time taken to complete it. KMPG did not give us any satisfaction on this complaint.

The external auditor made an adverse finding about our Value for Money arrangements in 2016/17. Whilst we usually want to agree all audit findings and offer a way forward for improvement we were forced to take issue with KMPG on this occasion. The auditor picked up four points in relation to the way that the Council bought the BP campus in 2016. Notwithstanding the validity or otherwise of these comments, the Council did not agree that together they affected the overall Value for Money offered by the Council.

Full details of the Auditor's report and the Council's response can be found on our Audit Committee webpage for February 2019.

KMPG have still not delivered a Value for Money opinion on the 2017/18 accounts and this matter is also overdue. The Council has repeatedly pressed KMPG for this matter to be resolved as a new auditor (BDO) has now been appointed for the Council by the independent Public Sector Audit Appointments body BDO will take over the audit of the Council's accounts for 2018/19 and we look forward to a positive working relationship with them.

How we learn from complaints and feedback

The Council is always keen to hear from residents and staff about how it can deliver better services to residents. We have a number of procedures in place for this.

- Our Complaints procedure is working well after a review in recent years.
- We have a staff whistleblowing procedure which will be reviewed in the next year.

Our annual feedback letter from the Local Government and Social Care Ombudsman reveals that we have a static low level of the more serious type of complaints which are referred to the Ombudsman.

How we will deal with significant governance issues

We consider that these are the major issues for us to deal with in the next year:

- **Investment Assets portfolio management.** We have a £1bn property portfolio and we need proper staff capacity and resource in place to manage it, reduce risk and deliver the benefits from it. We will continue to increase the team and strengthen governance.
- **Building the homes residents need.** We will strengthen all aspects of procurement and project management to ensure that we can deliver the projects which are envisaged by the Capital Strategy. We will ensure there is appropriate oversight and scrutiny of these projects.
- **Delivery of local government.** Given the cuts made by Surrey County Council and the financial position of our key partner, we will continue to monitor their cuts on delivery of services to our residents. We will continue to speak up for Spelthorne.

Conclusion

We think that Spelthorne is a special and unique place. We are dedicated to providing the very best public services for you. In the last five years the Council has changed. We have evolved from a medium sized borough council reliant on central government funding, to become a leader in our sector. We have secured the financial future of the Council. We have protected you from cuts to services and also shielded you from cuts made by Surrey County Council. We now “punch above our weight” and we think that this is something you can take pride in. As we deal with the challenges of the next five years you can be assured that we are doing so from a solid foundation. We have the finances, the people, the systems in place to deliver for you. We encourage you to find out more.

.....
Cllr Ian Harvey
Leader of the Council

.....
Daniel Charles Mouawad
Chief Executive

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WORK PROGRAMME 2019/20

AUDIT COMMITTEE – 25 JULY 2019

Resolution Required

1. Work Programme

- 1.1 This report covers the Work Programme for the forthcoming municipal year 2019/20.
- 1.2 The Committee's terms of reference are set out at the front of the agenda.

2. Future Meetings

- 2.1 Meetings of this Committee have been scheduled in the Council's Diary on the following dates:-
 - **7 November 2019**
 - **19 March 2020**
- 2.2 Details of the Work Programme for future meetings are as follows:

November 2019		
Value for Money Statement 2017/18	External Auditors (KPMG)	Report
Annual Audit Letter 2017/18	External Auditors (KPMG)	Report
Report on Statement of Accounts for 2018/19	External Auditors (BDO)	Report
Annual Audit Letter 2018/19	External Auditors (BDO)	Report
Corporate Risk Management	Internal Audit Manager	Review
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Confidential Reporting Code	Head of Corporate Governance	Report
Update on Audit Services team resource	Punita Talwar	Update
Report on The Effectiveness of the System of Internal Audit	Internal Audit Manager	Report
Internal Audit Interim Report	Internal Audit Manager	Report
Committee's Work programme for 2019/20	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report

March 2020		
Corporate Risk Management	Internal Audit Manager	Report
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Anti-fraud, bribery and Corruption Strategy	Internal Audit Manager	Report
Internal Audit Annual Plan 2020/21	Internal Audit Manager	Report
External Audit Annual Audit Plan 2019/20	External Audit (BDO)	Report
Committee's Work programme for 2020/2021	Internal Audit Manager/Chief Finance Officer/Audit Committee	Work Programme

- 2.3 Any topics identified during consideration of the business at this meeting will need to be included in the above Work Programme.
- 2.4 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.
- 2.5 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.
- 2.6 Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not implemented the recommendations of the Head of Audit Services. It is not possible to predict these circumstances but they will be dealt with as and when they arise either by incorporating into the Work Programme or appearing on the agenda as appropriate.

3. Resolution

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

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

Report Author: Chris Curtis, Committee Manager (01784) 446240