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Date: 25 October 2019

## **Notice of meeting**

### **Audit Committee**

**Date:** Thursday, 7 November 2019

**Time:** 7.30 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

*Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.*

**Spelthorne Borough Council, Council Offices, Knowle Green**

**Staines-upon-Thames TW18 1XB**

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## *RESPONSIBILITIES OF THE AUDIT COMMITTEE*

### **Purpose**

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

### **Core Functions**

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

## **AGENDA**

**Page nos.**

- 1. Apologies**  
To receive any apologies for absence.
- 2. Minutes** **5 - 22**  
To confirm the minutes of the meeting held on 25 July 2019.
- 3. Disclosures of Interest**  
To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members.
- 4. Confidential Reporting Code** **23 - 42**  
To review the Confidential Reporting Code and leaflet and to recommend any amendments if necessary.
- 5. Update on Audit Services team resource**  
To provide a verbal update on the Audit Services team resource.
- 6. Corporate Risk Management** **43 - 56**  
To note the report by the Internal Audit Manager and recommend the Corporate Risk Register to Cabinet for approval.
- 7. Internal Audit Services half-yearly report 2019/20** **57 - 98**  
To receive an interim report from the Internal Audit Manager.
- 8. Annual review of the effectiveness of Internal Audit 2018/19** **99 - 108**  
To consider a report from the Internal Audit Manager.
- 9. Update from BDO, External Auditors**  
To receive a verbal update from BDO
- 10. Committee Work Programme** **109 - 110**  
To consider and approve the work programme for the municipal year

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**Minutes of the Audit Committee  
25 July 2019**

**Present:**

Councillor J.R. Sexton (Chairman)  
Councillor C. Barnard (Vice-Chairman)

**Councillors:**

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

**Apologies:**    There were none.

**206/19    Minutes**

The minutes of the meeting held on 21 May 2019 were approved as a correct record.

**207/19    Disclosures of Interest**

There were none.

**208/19    Corporate Risk Management**

The Internal Audit Manager presented her report on the Corporate Risk Register. The Corporate Risk Register identifies significant risks to the Council and how these are managed and monitored.

The Committee were informed that positive progress had been made in a number of areas although some actions had not been fully implemented or were ongoing. There were no risk categories with a red status. The Internal Audit Manager outlined the most significant risks and advised of steps being taken to mitigate these.

Questions tabled by the Committee in advance of the meeting, and officers' responses, were circulated and are attached as an appendix to these minutes.

Although the Committee were appreciative of the speed and detail provided by officers to the questions they raised; they expressed dissatisfaction at the failure of some officers to provide information for the Corporate Risk Register within the timeframe requested and would monitor this in future.

Serious concerns were expressed regarding the procurement risk. The Internal Audit Manager advised that an internal review had recently taken place and was referenced in the report. The Committee requested that their concerns were passed to the Chief Executive and Head of Corporate Governance.

The Committee noted the addition of the environmental risk and requested that all relevant information is given to the Internal Audit Manager by the relevant Service area (Neighbourhood Services) for the next review of the register to assist in identifying whether any further risk mitigating actions are required.

The Committee **resolved** to note the contents of the Corporate Risk Register and recommended it to Cabinet for approval subject to the above comments.

### **209/19 Annual Internal Audit Work Summary 2018/19**

The Internal Audit Manager presented her report to the Committee, highlighting key issues arising from the 2018/19 period.

The annual Internal Audit work summary sets out the independent audit opinion for the financial year 2018-19 on the adequacy of the Council's internal control environment, risk management and governance arrangements. The opinion supports the Annual Governance Statement.

Appendix 1 set out the work undertaken by internal audit in greater detail and included the recommendations issued and assurance opinion for each audit. The Committee would be provided with a progress report on the implementation of the recommendations in November.

The Committee recommended that the Council should comply with the procurement aspect of the Local Government Transparency Code and requested that a statement is provided citing the reasons should it be decided not to follow the Code.

The Committee **resolved** to note the annual Internal Audit work summary for 2018/19.

### **210/19 Review of Internal Audit Charter**

The Internal Audit Manager presented the Internal Audit Charter for review and approval by the Committee. This sets out the nature of the services that internal audit will provide to help the Council achieve its objectives highlighting the purpose, authority and responsibility of the Internal Audit function.

The Audit Charter had been reviewed to ensure it was still compliant with the mandatory Public Sector Internal Audit Standards (PSIAS). The latest CIPFA statement 'The role of the Head of Internal Audit' (published April 2019) had also been taken into consideration as part of the Charter review and the Committee were informed that this places greater emphasis on organisational responsibility to support the role of Internal Audit to enable it to meet expected professional standards.

The Committee expressed their concern at the resources available for internal audit and were advised that there had been some discussion about the submission of a growth bid to the forthcoming budget process. Internal audit

resources was also an item on the work programme for the Committee's November meeting.

The Committee **resolved** to approve the Internal Audit Charter.

### **211/19 Annual Governance Statement**

The Chief Finance Officer presented the draft Annual Governance Statement for 2018/19. The purpose of the Annual Governance Statement (AGS) is to provide assurance regarding the Council's governance arrangements.

The format and wording of the AGS are based upon official guidance. The statement lists the key elements of the Council's governance framework – those systems and processes which must be effective if there is to be a high standard of governance across the Council. It lists the key areas where improvement is needed and progress on these is monitored during the following year.

In response to questions from the Committee, the Chief Finance Officer advised that the Council were in the process of procuring external auditors to audit the Knowle Green Estate accounts. He also provided examples of services that had been protected from the Surrey County Council budget cuts.

It was **resolved** that the draft Annual Governance Statement be approved and the improvement actions identified in the Statement be endorsed.

Members of the Committee that did not agree with the resolution were asked to express their concerns in writing.

### **212/19 Update from BDO, External Auditors**

Janine Combrinck, Director RI / Public Sector Assurance, BDO provided an update to the Committee on the external audit of the Council's accounts for the year 2018/19. The timetable had been shifted due to the ongoing delay in KPMG finalising the value for money opinion for 2017/18.

The Committee **resolved** to note the update.

### **213/19 Committee Work Programme**

The Committee considered its Work Programme for the remainder of the 2019/20 Municipal year.

**Resolved** that the Committee Work Programme for the remainder of the 2019/20 Municipal year, be approved.

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## Responses to Questions submitted by Cllr Nichols for Audit Committee 25<sup>th</sup> July 2019

Reference	Question
<b>General</b>	
	<p>Does Knowle Green Estates and its operations fall within the remit of the Audit Committee and Internal Audit?</p> <p>Do the committee terms of reference, the Audit Charter and Council constitution adequately reflect the relationship of KGE to the Council?</p> <p><b>Comments by Head of Corporate Governance:</b></p> <p>No, KGE does not fall within the remit of the Audit Committee and Internal Audit.</p> <p>The Council constitution reflects the governance of the Council. Knowle Green Estates Ltd is a separate entity (although it is recognised as part of the Council “group” for the purposes of our external accounts).</p> <p>The Articles of Association of the Company reflect the governance arrangements for the Company.</p> <p>The Council is the sole shareholder. Under local government law “shareholding” is an Executive function. As a corporate shareholder the Council operates through a shareholder representative – which was confirmed at Cabinet in May 2017 to be the Leader.</p> <p>The Council has only been asked to make one formal decision in respect of the Company to date – to agree a special resolution to change the Articles of Association at an Extraordinary Meeting of the Company in May 2017.</p>
<b>Risk Register Report</b>	
1.3	<p>It is noted that “accountable officers have not responded”. What action is being taken to get updates? Why is it acceptable for managers to not respond to Audit actions?</p> <p><b>Comments by CFO:</b></p> <p>Corporate Management Team receive regular reports to identify responses and follow up with managers who have not responded. Additionally CRR also goes to Cabinet. Audit Committee does have the option, as it has exercised over the last committee cycle, of inviting Managers responsible for actions to attend Committee to clarify progress.</p>

Reference	Question
1.4 (a)	<p>Who is the Project Steering Group and what is the group’s remit? Is the group able to (a) prevent a project from starting without correct initiation and (b) stop projects that are failing for any reason?</p> <p><b>Comments by Group Head Transformation:</b></p> <p>The Project Steering Group (PSG) comprises of the Deputy Chief Executive Lee O’Neil, Group Head Commissioning and Transformation and the project officer. The Group review upcoming and ongoing projects. The PSG has been set up to assess the projects and identify factors likely to cause issues including whether a project can go ahead. When discussing a particular project the relevant Group Head will also be involved. Issues discussed will include the financing of a project, resource requirements and availability, progress and prioritisation. Where feasible these will be resolved by the Group. Exception reporting to MAT will take place for projects that are showing a significant lack of progress/resourcing in order to agree a clear decision on the way forward. Significant decisions such as whether to stop a project will also be brought to MAT.</p> <p>Is the management of all projects subject to the same methodology and control or is there a scheme of proportionality?</p> <p><b>Comments by Group Head Transformation:</b></p> <p>Projects are categorised (Priority Flagship, Flagship, High, Medium and Service Level). Each of the project categories complete the project documentation to ensure consistency in approach. However, the completion of the detail will be proportional to the size/nature of the project. Completion of such documentation, provides the PSG with the information necessary for assessing the projects progress and ensuring control. The PSG will also continue to review the documentation for projects to ensure it is fit for purpose. Weekly updates are provided to MAT on the status of projects in a summary form. This also provides an opportunity to highlight concerns associated with individual projects or general project management.</p>
<b>Corporate Risk Register</b>	
1	<p>Why is it considered acceptable for some services to be “regularly absent” from the Health and Safety Committee?</p> <p><b>Comments by CFO:</b></p> <p>Not considered acceptable and MAT has escalated. Has also been reiterated at Corporate Risk Management Group. Attendance will be monitored</p>

Reference	Question
4	<p>The register says “Resourcing of projects remains an ongoing challenge”. Is there clear responsibility for resource commitment to a project at initiation stage? Who is responsible for assuring that resource is available before a project is commenced? Are projects being formally suspended / rescheduled if adequate resource is not available?</p> <p><b>Comments by Group Head Transformation:</b></p> <p>A resource is identified at the beginning of a project and within the project documentation. The project documentation also asks for project managers to list resources required from other services. However, as a small Council we are mindful of the limited resource available and as a result projects may be delayed if insufficient resource is available</p>
5a	<p>Why is it acceptable for “Deadlines in the data protection compliance plan for services have not been achieved in many areas”?</p> <p><b>Comments by Data Protection Officer:</b></p> <p>Unsurprisingly as Data Protection Officer I do not consider it acceptable that the data protection compliance plan for services has not been achieved. However I do recognise that resources within the council are tight and have been for many years and that there are competing demands on staff time</p> <p>What management action has been taken to date to address this?</p> <p><b>Comments by Data Protection Officer:</b></p> <p>At the MAT+ (this being Management Team plus Group Heads and Head of Corporate Governance) meeting of 24 April 2019 MAT+ agreed that services should progress the requirements of the compliance plan without further delay. MAT + are keeping progress under review and discussed on 24/7/19.</p> <p>Why is the Council not compliant with GDPR (Data Protection Act (2018)) when the deadline was May 2018?</p> <p>The short answer is due to the sheer amount of work required and the amount of resource available.</p> <p>It is generally recognised that GDPR is a significant step up from the 1998 Data Protection Act. The GDPR requirement that organisations demonstrate compliance inevitably requires an increase in documentation. Given that the Council had no dedicated Information Governance resource prior to January 2017 it is not surprising that the level of data protection sophistication within the council was low and hence the council’s step up was bigger than for many organisations. The Council recognised the scale of the challenge and approved additional budget to fund the dedicated Information Governance Officer (now the Data Protection Officer) post more than a year ahead of the GDPR deadline. Additionally some additional resource was provided to assist services with achieving full compliance.</p>

Reference	Question
	<p>The Information Commissioner Office recognises that it is not easy for small organisations to become GDPR compliant. Identifying collections of personal data, legal bases for processing, retention periods and privacy requirements take time to understand and there are no quick fixes for making sure people's personal data is being processed appropriately. The Council processing of personal data across many services, for many purposes, using many systems is complex and this adds to the amount of work required.</p> <p>We have taken a risk based approach to implementing the GDPR requirements with initial focus on the Article 30 requirement for maintaining a record of processing activities and the Article 5(1) requirement for transparency to the public (by use of Privacy Notices).</p> <p>While I do not believe that the Council should be complacent about this it should be noted that a number of surveys, published to coincide with the first anniversary of <u>GDPR</u> on 25 May 2019, have found that many organisations are struggling to meet their obligations. From informal discussions with other Surrey Councils it is apparent that Spelthorne are progressing towards compliance at a better rate than many Councils although those with more dedicated resources and those who have had those dedicated resources for longer are in a better position than us. Clearly other Councils are also taking a prioritised risk approach so their focus may be different from Spelthorne's focus.</p> <p>It is difficult to predict when we could achieve full compliance because:</p> <ul style="list-style-type: none"> <li>• the GDPR in itself is ambiguous – it's a complex legal document, which is yet to be subject to legal challenges and the reality will only be apparent after the prosecution of some cases,</li> <li>• changes in technology and processes all impact GDPR compliance,</li> <li>• the council is a complex organisation with multiple services and various systems – no 2 systems are the same in their technological approach to GDPR,</li> </ul>
6 (cyber security)	<p>Why is this amber and not green?</p> <p>Comments by Group Head Transformation:</p> <p>We are looking closely at our Cyber resilience and planning for associated incidents but also that the ICT ensure we install regular patches to ensure we are protected as much as possible from an attack. We are also ensuring staff view a monthly online video to raise their awareness of this area. Hence we consider the RAG rating to be correct.</p> <p>Response from Internal Audit Manager:</p> <p>Risk category 6 on the Corporate Risk Register has been highlighted as 'Amber' due to the new risk mitigating action recorded (the ICT team are addressing issues emerging from the Annual health check and penetration test).</p>

Reference	Question
<p>9 (staff resource capacity across the organisation)</p>	<p>Given comments elsewhere, should this be regarded as green?</p> <p>Comments by Internal Audit Manager: The RAG rating is considered Green based on the comments and responses in the progress column'</p>
<p>11a - Procurement</p>	<p>Why is this not red? No evidence offered for identified issues being resolved yet.</p> <p>Comments by Internal Audit Manager Risk category 11a – There are several risk mitigating actions for this risk category. The RAG rating has been marked as Amber as whilst some of the actions are clearly outstanding, other matters are in progress with one area now completed. Internal Audit Manager</p> <p>Comments by Head of Corporate Governance: I think Amber is a realistic assessment of the situation where we have inherited a function with a number of issues which are being remedied. One further update that Punita has not included is that we have Contract Register in hand. I expect that we will be able to publish a register on In-tend by the end of the summer. This will then allow us to have much more focus on Contract Management and we will launch the Contract Management Board this autumn. We have a draft list of contracts we are considering for the Board but we will want to review this once we have done the work over the summer to check where we are up to. I am happy to attend Audit Committee in the Autumn to provide an update on how we have progressed.</p>
<p>11b Leisure centre procurement</p>	<p>Given the deadline, the length of time that this has been an issue, the previous rejected option and resident sensitivity, should this be red?</p> <p>Comments by DCX (L:O’N) and Head of Corporate Governance: Amber is considered a realistic assessment of the current RAG rating for this project. The Council has a clear delivery plan for procuring a supplier and building a new Leisure Centre. The project has been delayed as a result of the Council responding to public concerns over the original proposed location for the site, not because of any systems failure. The Council has good management around the project with competent people who can deliver this. The delay caused by the need to identify a new location has not affected the Council’s</p>

Reference	Question
	plans to keep the existing Spelthorne Leisure Centre open until delivery of the new facility
<p>15</p> <p>Property investments and assets software</p>	<p>Will this be regarded as green when the new system is implemented?</p> <p>Comments by CFO/Internal Audit Manager</p> <p>Yes once successfully implemented. Potentially that could be the case although it is important as Terry refers to seek assurance that the new software is successfully implemented and meets the desired service/user needs.</p>
<p>18</p> <p>Treasury management long term returns/tenant</p>	<p>What actions were the result of the latest audit of this area and are they being addressed (not reported in progress box).</p> <p>Comments by Internal Audit Manager:</p> <p>The specific recommendations and progress in implementing actions from the latest Treasury Management Audit are set out in the Appendix to the Annual Internal Audit Summary report.</p> <p>Comments by CFO/Chief Accountant:</p> <p>Audit concluded some improvements to be made around refreshing policies and procedures, segregation of duties. Chief Accountant to undertake spot checks to supplement controls, acknowledged that bank reconciliations are being done monthly but that Deputy Chief Accountant needs to evidence monthly reviews.</p> <p>Treasury management internal audit reasonably positive, medium term pooled funds achieved average return of 4.23% in 2018-19. Continue to closely liaise with Arlingclose as our professional treasury management advisers.</p> <p>With respect to tenant health can flag all our tenants paying within 2 weeks which puts us in top 25 percentile and that we continue to periodically receive Deloitte financial assessments and monitor on S&amp;P</p>
<p>20</p> <p>Environmental</p>	<p>I appreciate that this is a new risk but it is very poorly expressed and as such cannot have effective mitigation actions.</p> <p>Internal Audit Manager comments:</p> <p>Accountable Officers within Neighbourhood Services advised early July that the proposed wording/content was reasonable and sufficient, and they were invited to attend the Corporate Risk Management Group on 18.7.19 to explain in more detail this risk category and highlight mitigating measures in place.</p> <p>Unfortunately no service representatives could attend the meeting. The Internal Audit Manager will be liaising further with the accountable officers ahead of the next review of the register in October to update wording as appropriate.</p>

Reference	Question
<b>Annual Internal Audit Summary report</b>	
1.5	<p>What were the implications on the work of Internal Audit from the shortage of resource in the last financial year? What audits were not undertaken or deferred during in 2018/19?</p> <p><b>Comments by Internal Audit Manager:</b></p> <p>Reprioritisation of the Audit Plan took place during 2018/19 in light of the significant resource shortage/vacancy and the following audits were not undertaken:</p> <ul style="list-style-type: none"> <li>i. Environmental Health - Houses in Multiple Occupation (HMO) licensing requirements/ Enforcement and civil penalties</li> <li>ii. Building Control</li> <li>iii. Universal Credit (Housing)</li> <li>iv. Ad hoc Income systems</li> <li>v. Independent Living</li> <li>vi. Spelride</li> </ul> <p>A risk based approach was taken in making a decision over which audits to exclude during 2018/19 and as the above areas had been originally classified as 'priority B' audits they were not undertaken.</p> <p>As part of internal audit planning for 2019/20, the Internal Audit Manager consulted with all Group Heads and Managers to seek their views on inclusion of the above areas for the 2019/20 plan. Given the new emerging risks in many Service areas and the steer to refine the audit plan, it was concluded that a review of the above areas would not take place during 2019/20, with the exception of Building Control.</p> <p>The five deferred audits from 2018/19 include those set out in the appendix to the Annual Internal Audit Summary report (page 68). Four of these were deferred to commence during quarter 1 of 2019/20 at the request of Management and in the fifth case we encountered some delays due to availability of suitable contractor resource, but this has since progressed. In addition, audits of GDPR and CIL Income were deferred during 2018/19 at the request of Management and will now take place during 2019/20 (GDPR) and 2020/21 (CIL income).</p> <p>Steer from the strategic management team has been to ensure that Internal Audit reviews are carried out at the most opportune time to enable the Council to seek the most value from the audit process .Consequently for the 2019/20 Internal Audit Plan all Managers have been consulted regarding preferred timing during the year which we will endeavour to meet as far as is practically possible.</p>

Reference	Question
	<p>Where audits are regularly deferred, the implications of this have been highlighted to the strategic management team i.e. a reduced level of independent assurance can be provided on the Council's systems of internal control, risk management and governance arrangements</p>
<p>Internal Audit opinion</p>	<p>The information on audit recommendations and actions is confusing when trying to reconcile it to the Annual Internal Audit summary as it has a different sequence and comments. Which should be taken as being the most up to date and authoritative? For example the Procurement section has seven points in one place and 22 in the other.</p> <p><b>Comments by Internal Audit Manager:</b></p> <p>Pages 23 to 27 represent the key themes and issues arising from Internal Audit's work for 2018/19 and therefore this document (which is an extension of the annual audit opinion) is intended to summarise the higher risk and recurrent issues arising together with the planned action to address those issues. In contrast the Annual internal Audit Summary is intended to set out in far more detail all the audit recommendations issued from specific audit reviews, as well as details of other work undertaken by the team. This hopefully explains the approach.</p> <p>They are both up to date as at the time of reporting to our strategic management team on 9.7.19 and equally authoritative.</p>
<p>7. Procurement</p>	<p>What authorisation is required for the amendment of Contract Standing Orders?</p> <p><b>Comments by Head of Corporate Governance:</b></p> <p>These are in the Council Constitution. As such they are for Council to change after receiving a report from the Monitoring Officer as to the suitability of the changes. I agree some changes can be made to the CSOs to make them reflect current circumstances, but they are still fit for purpose at the minute and the Council is not exposed to risk because they are slightly out of date. We will update them in the next year – there are more valuable things to focus on first.</p> <p>It should be remembered that CSOs are legally the Council's <u>minimum</u> rules for purchasing – they are not meant to cover every aspect of procurement risk and compliance.</p> <p>Could you explain what is meant by "Consideration of the Local Government Transparency code and if Management accept the risks of non-compliance then this should be formally documented". Why is non-compliance considered to be (a) required and (b) acceptable to the Council?</p> <p><b>Comments by Internal Audit Manager</b></p>

Reference	Question
	<p>The audit recommendation contained within the Procurement audit report of May 2019 is as follows:</p> <p>“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 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>Internal audit are hopeful that Management will comply with the transparency code, but it is ultimately up to Management to take decisions/pursue actions in terms of implementing adequate control systems. Should they choose not to do so then it is important that they accept the associated risks. By documenting this (particularly where a recommendation has been made previously as in this case) it ensures they are applying a carefully considered and transparent approach</p> <p>Comments by Head of Corporate Governance:</p> <p>I think Audit is referring here to the fact that we don’t have a Contract Register. This is being reviewed this summer. It was always on the cards to do this – this is one of the reasons why I thought it was inappropriate to report on procurement at this stage because we have plans in hand to change things.</p> <p>So the old Contract Register was online and part of Pro-Contract (the Council’s previous e-tendering system). When this subscription ended our contract register disappeared. Damola, the previous Procurement Officer, started work to review the contracts but he never got round to putting something online.</p> <p>We always had the In-tend (the Council’s new e-tendering system which most of the other Surrey councils are on) contract management module (since we switched over from Pro-Contract) so we could have used that. We are now populating it. We will publish the register by the end of the summer. It might not be 100% accurate because I doubt if we will get to the bottom of all POs which are not “on contract” over the course of this next couple of months – however, we will have made enough progress to allow us to bring Contract Management into much sharper focus. We will then start to roll out the Contract Management Board. I hope this will give a much greater focus on outcomes which is where I think we need to be.</p>
<p><b>Annual Internal Audit Summary</b></p>	

Reference	Question
4. Project governance	<p>Have all the recommendations of the May audit report been accepted in full? If any recommendations are not to be implemented, what are they and why are they not accepted?</p> <p><b>Response from Group Head Transformation:</b></p> <p>A resource is identified at the beginning of a project and within the project documentation. The project documentation also asks for project managers to list resources required from other services. However, as a small Council we are mindful of the limited resource available and as a result projects may be delayed if insufficient resource is available</p>
6. Procurement	<p>Is there any indication that all the recommendations in the draft audit report will not be accepted in full? If it is anticipated that any recommendations will not to be implemented, what are they and why are they not being accepted?</p> <p><b>Response from Head of Corporate Governance:</b></p> <p>I don't think it is as simple as saying they won't be accepted in full. There are lots of issues I have comments on. I have not had the opportunity to discuss with Audit as yet. Audit is coming at this from a compliance stand point and there is every value to their opinions. However we are not set up to be a compliance function. If MAT want us to be a compliance function instead of a dispersed activity in services with central support then we need to have a conversation about the extra resources required to do this.</p> <p><b>Response from Audit Manager:</b></p> <p>At this point we have no indication of Managements acceptance of audit recommendations, but a meeting has been scheduled for 30 July to discuss and hopefully agree actions.</p>
8. Debtors	<p>Have all the recommendations of the June audit report been accepted in full? If any recommendations are not to be implemented, what are they and why are they not accepted?</p> <p><b>Comments by Deputy Group Head Customer Services:</b></p> <p>Yes accepted and we are implementing recommendations.</p> <p><b>Comments by Chief Accountant:</b></p> <p>The two recommendations on the debtors audit that related to my team were both immediately implemented</p>

Reference	Question
<p>10. New Spelthorne leisure centre</p>	<p>Have all the recommendations of the February audit report been accepted in full? If any recommendations are not to be implemented, what are they and why are they not accepted?</p> <p><b>Comments by DCX (LO'N)</b></p> <p>All of the recommendations have been accepted apart from one relating to a recommendation for a 'Project Charter' and one which recommended the introduction of a 'Project Challenger'. Management have advised that 'The use of a 'Project Charter' and a 'Project Challenger' are not currently part of the Council's project management methodology and the introduction of such an approach would have resource implications. It is not clear how this would provide any added value and no evidence has been provided to demonstrate where this has been used successfully elsewhere. Regular updates on the project are provided to the Development and Investment Group and Management Team, which provides sufficient independent assessment of progress and the likely success of the project.</p>
<p>Work in progress</p>	<p>Have the audits scheduled to "commence during quarter 1 of the 2019/20 financial year" started? If not, why not?</p> <p><b>Comments by Internal Audit Manager:</b></p> <p>All audits scheduled for quarter 1 have commenced and assignments are underway. In addition, the deferred audits from 2018/19 have progressed considerably.</p>
<p>General</p>	<p>Are the terms of reference for individual audits published and accessible to members?</p> <p><b>Comments by Internal Audit Manager:</b></p> <p>Terms of Reference are not published currently. They are circulated to auditees</p>
<p>Audit resource</p>	<p>What is the budget for specialist Audit resource to support the internal team?</p> <p><b>£20,500 (Total Audit Contactor resource from 2019/20)</b></p> <p>In what specific areas is the use of this resource anticipated?</p> <p><b>Comments by Internal Audit Manager:</b></p> <p>To support delivery of the 2019/20 audit plan by appointing both generalist and subject matter specialist Auditors through the Apex Framework Agreement. Examples include ICT Audit, Information Governance (GDPR), Brexit, Property</p>

Reference	Question
	<p>Development (Housing Delivery Programme) as well as some of the core fundamental financial system audits.</p> <p>How much was spent in the last financial year and on what areas?</p> <p>Comments by Internal Audit Manager:</p> <p>Given the anticipated resource shortage for 2018/19, an additional amount of £10,500 was agreed/approved to be included in the Contractor audit budget for 2018/19. Actual spend relating to 2018/19 of £31,000 is within overall budget for this period.</p> <p>Contractor Audit resource procured through the Apex Framework agreement includes work on various fundamental financial system audits, as well as Procurement, ICT Audit Needs Assessment and commercial asset acquisitions/investments.</p> <p>Has there been any increase in Audit resource since March 2015 to reflect the change in scope of Council operations i.e. commercial property acquisitions and housing development and operation?</p> <p>Comments by Internal Audit Manager:</p> <p>Has there been any increase in Audit resource since March 2015 to reflect the change in scope of Council operations i.e. commercial property acquisitions and housing development and operation?</p> <p>In July 2015, the former Head of Audit Partnership took early retirement. The Internal Audit Manager (part time) took on increased responsibilities from that point, and there was effectively a reduction in established in-house internal audit resource from August 2015, with the team equating to 1.55 FTE.</p> <p>A growth bid was submitted in October 2016 requesting an increase in hours for the Internal Audit Manager. This was not approved on the basis of the need to secure service savings. A further growth bid was submitted in October 2017, and additional hours (7 per week) for the Internal Audit Manager were approved on this occasion, which took effect from April 2018.</p> <p>There have been no other short term or permanent increases in audit resources during this time and the established in-house resource stands at 1.75 FTE. This may be an area of review in due course to coincide with the growth bid process for 2020-21 Budget.</p>
<b>Audit Charter</b>	

Reference	Question
10. Resources and competencies	<p>How will the Audit Committee be made aware if resource constraints are preventing the full audit plan from being delivered other than after the event reporting?</p> <p><b>Comments by CFO/Internal Audit Manager:</b></p> <p>Head of Audit attends every Audit Committee and has an opportunity to flag concerns to Committee and to Chairman. Given that the Internal Audit function comprises a small team, capacity and resilience issues have also been highlighted on the 2019/20 Service Plan for Internal Audit, which has been shared with the Portfolio Holder/Deputy Chairman, Councillor Harman.</p>
<b>Annual Governance Statement</b>	
Knowle Green Estates	<p>Why is the Council not getting an independent audit of the accounts of Knowle Green Estates as expressly recommended by KPMG. The 2017/18 draft audit report states “We strongly recommend that the Council appoints an auditor for KGE as a matter of priority for all periods going forward.” This was highlighted as a priority 1 issue.</p> <p><b>Comments by CFO:</b></p> <p>KGE will be procuring audit for 18/19 KGE accounts. As stated at last Audit Committee, BDO had a different interpretation to KPMG.</p> <p>KPMG have stated that “A Local Authority subsidiary is unable to take this exemption as it is not able to meet the Companies Act 2006 requirements”. Why do Spelthorne not agree with KPMG’s assessment of the requirement for an independent audit?</p>
<b>Work programme</b>	
	<p>What action is being taken to close the 2017/18 accounts with KPMG?</p> <p><b>Comments by CFO:</b></p> <p>Statement of Accounts for 17/18 is complete, we are awaiting completion of VFM opinion – we regularly chase for updates.</p> <p>Will BDO be taking account of that element of the KPMG report for 2017/18 that has been completed?</p> <p><b>Yes</b></p>

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**Audit Committee****07 November 2019**

<b>Title</b>	Review of the Confidential Reporting Code (Whistleblowing Policy)		
<b>Purpose of the report</b>	To note and/or to make a recommendation to Council		
<b>Report Author</b>	Michael Graham, Monitoring Officer		
<b>Cabinet Member</b>	Councillor Tony Harman	<b>Confidential</b>	No
<b>Corporate Priority</b>	This item is not in the current list of Corporate priorities		
<b>Recommendations</b>	<b>The Audit Committee is asked to note the assessment of the Council's current whistleblowing arrangements and agree any changes it deems appropriate for recommendation to Council.</b>		
<b>Reason for Recommendation</b>	<b>To demonstrate that the Council is committed to the highest possible standards of openness, probity and accountability. To encourage and enable all staff to raise any serious concerns they have, within the Council.</b>		

**1. Key issues**

- 1.1 The Confidential Reporting Code forms part of the Council's Constitution and sets out how to raise serious concerns about any aspect of the Council's work. It also sets out legal protection against reprisals under the Public Interest Disclosure Act. The Code is attached as **Appendix 1**.
- 1.2 A poster is displayed on staff noticeboards explaining the types of concerns that staff should speak up about and who they can raise these with, both internally and externally. (Attached as **Appendix 2**).

**2. Options analysis and proposal**

- 2.1 The Audit Committee is required to review the Code annually.
- 2.2 The Code details:
  - (a) The nature of concerns which may be reported. (Section 2)
  - (b) Other policies such as the Grievance Procedure which exist to deal with employment issues including bullying or harassment. (Section 2)
  - (c) Safeguards against harassment or victimisation as a result of raising a concern. (Section 3)
  - (d) Processes for raising and dealing with concerns including the various officers and organisations who could be contacted. (Sections 7 to 10)

2.3 In order to facilitate this year's review, officers have used a benchmarking tool to help evaluate the Code against three core elements which are central to a successful whistleblowing programme. These elements are:

**Governance:** Accountability, Written Policy and Procedures, Review and Reporting

**Engagement:** Communications and Training

**Operations:** Support and Protection, Recording and Investigations, and Resolution and Feedback.

2.4 Within each of the elements above, the tool suggests a set of standards to aim for, on a scale ranging from 0-3. Officers have identified where we believe our Code and whistleblowing processes measure against these standards and provided a narrative on the evidence we have relied upon to satisfy ourselves that the score is accurate. The results of the benchmarking exercise are detailed in **Appendix 3**.

2.5 In undertaking this exercise, it is recognised that some areas of the Code can be improved upon. Where this is relevant, a suggestion for improvement has been proposed for the Committee to consider.

2.6 It is relevant to note that this benchmarking tool is designed to be used by a wide range of organisations, from small local authorities to large private sector firms operating internationally. Some of the higher scoring standards may therefore not be appropriate for a Council of our size.

### **3. Financial implications**

3.1 Not applicable.

### **4. Other considerations**

4.1 There are none.

### **5. Timetable for implementation**

5.1 If Audit Committee agrees that changes to the Policy are required, these will be recommended to a future Council for approval.

**Background papers:** [Protect 360 – Benchmarking for whistleblowing arrangements](#)

#### **Appendices:**

**Appendix 1 – Confidential Reporting Code**

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

**Appendix 3 - Evaluation of Policy against benchmarking tool**

## **CONFIDENTIAL REPORTING CODE (Whistleblowing)**

### **1. INTRODUCTION**

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

### **2. AIMS AND SCOPE OF THIS CODE**

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

major concerns you might have that fall outside the scope of other procedures. Such concerns might include:

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

If safeguarding concerns are highlighted then the Safeguarding Policy and procedures must be adhered to.

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

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

2.4 This Code does not replace the corporate complaints procedure.

### **3. SAFEGUARDS**

#### **Harassment or Victimisation**

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

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

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

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

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#### **4. CONFIDENTIALITY**

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

#### **5. ANONYMOUS ALLEGATIONS**

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

#### **6 UNTRUE ALLEGATIONS**

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

#### **7 HOW TO RAISE A CONCERN**

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

Chief Executive	Daniel Mouawad	(01784 446250)
Chief Finance Officer	Terry Collier	(01784 446296)

Deputy Chief Executive	Lee O'Neil	(01784 446377)
Monitoring Officer	Michael Graham	(01784 446227)
Internal Audit Manager	Punita Talwar	(01784 446454)
Principal Solicitor	Victoria Statham	(01784 446241)
Human Resources Manager (where specifically relates to a Human Resources matter)	Debbie O'Sullivan	(01784 446289)

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

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

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

Your trade union or professional body.

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

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

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

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

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

8.3 Where appropriate, the matters you raise may:

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

8.4 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is

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appropriate and, if so, what form it should take. The overriding principle for the Council is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example grievance or sexual harassment) will normally be referred for consideration under those procedures.

- 8.5 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 8.6 Within ten working days of a concern being raised, the manager with whom you raise your concern or the Monitoring Officer will write to you:
- acknowledging that your concern has been received
  - indicating how the Council propose to deal with the matter
  - giving an estimate of how long it will take to provide a final response
  - telling you whether any initial enquiries have been made
  - supplying you with information on staff support mechanisms, and
  - telling you whether further investigations will take place and if not, why not.
- 8.7 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.
- 8.8 Where any meeting is arranged, which can be away from the offices or your place of work if you so wish, you can be accompanied by a union or professional association representative or a friend.
- 8.9 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 8.10 The Council accepts that you need to be assured that the matter has been properly addressed and so, subject to legal constraints, will inform you of the outcome of any investigation.

## **9. THE RESPONSIBLE OFFICER**

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

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

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

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- your trade union
- your local Citizens Advice
- relevant professional bodies or regulatory organisations
- the police.

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

You can make a difference

# Speak out

if you see something that you  
know isn't right, **report it!**

- fraud, bribery, corruption
  - bullying
  - harassment
  - safeguarding
  - legality
- health and safety
- environmental damage
- serious and organised crime

Report to your line manager or alternatively any of the following:

- Daniel Mouawad, Chief Executive - 446242, [dcm.cex@spelthorne.gov.uk](mailto:dcm.cex@spelthorne.gov.uk)
- Terry Collier, Deputy Chief Executive - 446296, [t.collier@spelthorne.gov.uk](mailto:t.collier@spelthorne.gov.uk)
- Lee O'Neil, Deputy Chief Executive - 446377, [l.oneil@spelthorne.gov.uk](mailto:l.oneil@spelthorne.gov.uk)
- Michael Graham, Monitoring Officer - 446227, [m.graham@spelthorne.gov.uk](mailto:m.graham@spelthorne.gov.uk)
- Victoria Statham, Deputy Monitoring Officer - 446241, [v.statham@spelthorne.gov.uk](mailto:v.statham@spelthorne.gov.uk)
- Punita Talwar, Internal Audit Manager - 446454, [p.talwar@spelthorne.gov.uk](mailto:p.talwar@spelthorne.gov.uk)

The Confidential Reporting Code (whistleblowing policy) can be found at  
[www.spelthorne.gov.uk/whistleblowing](http://www.spelthorne.gov.uk/whistleblowing)

You can also speak to the charity Protect for independent and confidential advice by calling **0203 1172520**. The External Audit contact is Janine Combrinck on **0207 893 2631**. Other external contacts to whom you may wish to report concerns are set out in the Confidential Reporting Code.



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## GOVERNANCE

### **A. Whistleblowing Champion**

The organisation has appointed a Whistleblowing Champion (although they may be called something different) with responsibility for overseeing effectiveness of the organisation's whistleblowing arrangements.

0 1 2 3

#### **Reasoning and Evidence**

Paragraph 9. of the Confidential Reporting Code (CRC) details the officer who has overall responsibility for the maintenance and operation of the Code. At Spelthorne, this is the Monitoring Officer who although not a member of the Management Team can be approached by those officers.

### **B. Senior Leaders**

The Senior Management of the organisation demonstrates a clear commitment to a culture where employees and other stakeholders can raise concerns without fear of reprisal.

0 1 2 3

#### **Reasoning and Evidence**

Senior Leaders actively demonstrate a commitment to workers being able to raise concerns without fear of reprisal. The CRC procedure is brought to new staff's attention at the CEX Induction and explained regularly at staff meetings.

### **C. Whistleblowing Lead/Team**

The organisation has appointed a lead person to oversee the effective implementation of the whistleblowing arrangements.

0 1 2 3

#### **Reasoning and Evidence**

Same as A – it is considered this approach is proportionate for a small Local Authority. There is a clear understanding of which responsibilities are held by the Champion and other key staff who have responsibilities under the whistleblowing arrangements.

### **D. Line Managers**

Line managers have clear roles and responsibilities in relation to the organisation's whistleblowing arrangements

0 1 2 3

#### **Reasoning and Evidence**

We have appointed Line Managers as the first point of contact for staff raising concerns within the whistleblowing arrangements. (Para 7.1) Staff and Line Managers are made aware of the role that Line Managers have within the arrangements through the Policy, posters, information on the internal website, and at staff meetings.

## WRITTEN POLICY AND PROCEDURES

### **A. Written policy and/or procedures**

The organisation has a whistleblowing policy and / or procedures providing guidance to staff on how to raise concerns.

0 1 2

#### **Reasoning and Evidence**

A Policy exists and there is appropriate reference to whistleblowing arrangements in other relevant policies, e.g. anti-fraud, bribery and corruption policy.

### **B. Policy review**

The written policy and/or procedures are reviewed regularly.

0 1 2 3

#### **Reasoning and Evidence**

We review the policy and/or procedures every year to take into account legal, regulatory or industry developments and to ensure contact details within the policy and/or procedures are up to date.

### **C. Policy accessibility**

The written policy and/or procedures are easily accessible to staff (and other relevant stakeholders)

0 1 2

#### **Reasoning and Evidence**

The Policy is available on the website. It can be found easily by searching 'whistleblowing' or 'raising concerns'.

### **D. Policy language**

The written policy and/or procedures are clear and easy to understand

0 1 2

#### **Reasoning and Evidence**

The Policy is written in simple terms a lay person could understand, are structured clearly and explain practical aspects of raising concerns. The Policy is accessible to all members of staff in a language they understand.

### **E. Types of concerns**

The written policy identifies types of concerns to which the policy and/or procedures relate.

0 1 2 3

#### **Reasoning and Evidence**

The policy provides clear examples of the types of concerns that may be relevant to our role as a Local Authority. The Policy makes clear the difference between whistleblowing concerns and grievance or HR issues. (Paragraphs 2.2 and 2.3)

#### **F. Where concerns can be raised**

The policy identifies how and where concerns should be raised

0 1 2 3

##### **Reasoning and Evidence**

The policy includes multiple channels for blowing the whistle and contains names and/or roles and contact details for relevant persons / bodies where appropriate. It is clear you can bypass any layer of management if needed. Our policy makes it clear that concerns can be reported externally without having to go through the internal/line management channels.

#### **G. The investigation process**

The written policy sets out clearly what the investigative process may entail

0 1

##### **Reasoning and Evidence**

The policy contains a clear commentary which explains how a concern may be handled/ investigated. Policy explains that the Monitoring Officer or manager with whom the concern was raised will contact and update individuals on the investigation as it progresses. (Paragraph 8.6)

#### **H. Raising concerns openly, confidentially or anonymously**

The written policy clearly explains the difference between raising openly, confidentially or anonymously and provides relevant assurances.

0 1 2 3

##### **Reasoning and Evidence**

The policy explains the difference between raising a concern openly, confidentially or anonymously and provides relevant assurances around maintaining confidentiality. (Paragraphs 4.1 and section 5.)

#### **Suggested Improvement**

Strengthen section 4. of the policy to outline those circumstances which would prevent confidentiality being maintained and that in the event that the whistleblower's identity must be revealed, their prior consent will be sought, unless disclosure of identity is required by law (e.g. this may be the case in relation to safeguarding concerns, money laundering or other criminal offences).

#### **I. Protection from victimisation**

The written policy makes it clear that whistleblowers are protected from victimisation.

0 1 2 3

##### **Reasoning and Evidence**

The Policy acknowledges possible victimisation and has a clear statement that we take a zero tolerance approach to harassment or victimisation of whistleblowers (Paragraph 1.4 and Section 3.). The Policy gives no indication of how to report it or how it will be handled by the organisation.

### **Suggested Improvement**

Strengthen Section 3. With examples of treatment which would constitute victimisation. Include a statement that proven unfair treatment towards a whistleblower in relation to their disclosure will be seen as a disciplinary matter. Encourage whistleblowers to report any victimisation and state the channels and support for doing so.

## REVIEW AND REPORTING

### **A. Periodic review**

The organisation conducts periodic audits of the effectiveness of the arrangements for staff to blow the whistle

0 1 2 3

#### **Reasoning and Evidence**

Our organisation has not undertaken any internal or external review of the effectiveness of our arrangements for staff to blow the whistle.

### **Suggested Improvement**

Add a commitment in the Policy that a periodic internal review will be conducted on the effectiveness of our arrangements for staff to blow the whistle and report our findings to the Audit Committee.

### **B. Independent review and oversight**

There is independent review and oversight by the relevant committee of the whistleblowing arrangements [and those for handling concerns].

0 1 2 3

#### **Reasoning and Evidence**

There is no reporting to the Audit Committee on the effectiveness of whistleblowing arrangements.

### **Suggested Improvement**

We report to the Audit Committee on the effectiveness of whistleblowing arrangements on a periodic basis in a manner that is appropriate for the size and complexity of the organisation.

### **C. External reporting on arrangements**

The organisations published annual report includes information about the effectiveness of the whistleblowing arrangements.

0 1 2 3

#### **Reasoning and Evidence**

The Council has not made reference to our whistleblowing arrangements in an annual report or elsewhere publicly.

### **Suggested Improvement**

Include some brief information about the effectiveness of our arrangements in our annual report or elsewhere publicly.

## COMMUNICATIONS

### **A. Communication to staff and stakeholders**

The whistleblowing arrangements are communicated to staff and other relevant stakeholders via a variety of different media.

0 1 2 3

#### **Reasoning and Evidence**

We communicate our whistleblowing arrangements via different media: on the intranet and using posters on staff boards. We also use presentations at staff meetings. This level of communication is considered appropriate for the size and limited variance in work cultures of staff at the Council.

### **B. Encouraging concerns**

The organisation actively encourages staff and relevant stakeholders to raise concerns

0 1 2 3

#### **Reasoning and Evidence**

We have included in our policy a clear statement that we welcome or encourage staff raising a concern. Messages of encouragement are built into various media e.g. posters, presentations and inductions.

### **C. Testing awareness**

The organisation tests levels of staff and relevant stakeholders awareness of the whistleblowing arrangements

0 1 2 3

#### **Reasoning and Evidence**

Our organisation has not tested levels of awareness of the whistleblowing arrangements within the last 3 years.

#### **Suggested Improvement**

Implement a single mechanism for assessing levels of awareness of the arrangements on an annual basis. This could take the form of a survey, focus group, questions during training session.

### **D. Staff Awareness**

Staff are aware of the mechanisms by which they can raise concerns /whistleblow.

0 1 2 3

#### **Reasoning and Evidence**

Our organisation has not tested levels of awareness on how to raise a concern within the last 3 years.

#### **Suggested Improvement**

As above at C.

### **E. Testing confidence**

The organisation tests levels of staff confidence in whistleblowing arrangements.

0 1 2 3

#### **Reasoning and Evidence**

Our organisation has not tested levels of staff confidence in whistleblowing arrangements within the last 3 years.

#### **Suggested Improvement**

As above at C.

### **F. Staff Confidence**

Staff have confidence in whistleblowing arrangements.

0 1 2 3

#### **Reasoning and Evidence**

Our organisation has not tested staff confidence in whistleblowing arrangements within the last 3 years.

#### **Suggested Improvement**

As above at C.

## TRAINING

### **A. Staff training**

All staff receive training on the purpose of whistleblowing and how it operates within the organisation.

0 1 2 3

#### **Reasoning and Evidence**

Staff receive basic whistleblowing training at induction only.

#### **Suggested Improvement**

Consider introducing in-depth training throughout the employment lifecycle to include as a minimum:

- Examples of the types of concerns that can be raised
- Overview of the channels available to raise a concern
- Information about how the concern may be handled
- Key assurances around confidentiality and protection from reprisal
- Information about accessing independent legal advice/speaking to the regulator

### **B. Line management training**

All Line Managers receive training on their role and responsibilities in relation to handling concerns.

0 1 2 3

#### **Reasoning and Evidence**

Line Managers receive no whistleblowing training.

### **Suggested Improvement**

Consider introducing in-depth training for line managers to include as a minimum:

- How to recognise a concern and escalate as appropriate
- Information about the arrangements which are in place and the structure of responsibilities assigned to different designated contacts
- How to assist and communicate with the person responsible for the arrangements
- How to maintain confidentiality
- How to handle reprisals
- Their role in relation to investigations in line with any investigation procedures

### **C. Accountable and operational staff training**

All Accountable personnel (Whistleblowing Champion and/or designated officers) receive training on their role and responsibilities in relation to the whistleblowing arrangements.

0 1 2 3

#### **Reasoning and Evidence**

Accountable personnel receive basic training at induction or promotion only.

### **Suggested Improvement**

Consider introducing in-depth training for accountable personnel to include as a minimum:

Explanations on independence

- How to recognise a whistleblowing concern;
- How to maintain confidentiality;
- How to handle reprisals;
- How to provide feedback where appropriate;
- Steps to ensure fair treatment of persons accused of wrongdoing, and;
- Who to highlight as sources of internal and external advice and support.
- The difference between grievances and whistleblowing
- When and how to escalate concerns internally;
- What information to record when staff raise a concern;
- What behaviour constitutes victimisation of a whistleblower
- The arrangements which are in place and the structure of responsibilities assigned to different managers
- How to protect whistleblowers and preserve confidentiality; and how to assess the seriousness of information provided by a whistleblower

## **SUPPORT AND PROTECTION**

### **A. Support**

Whistleblowers are supported throughout the process of raising a concern.

0 1 2 3

#### **Reasoning and Evidence**

Whistleblowers are signposted to multiple internal and external independent sources of support or advice at the point of raising concerns via the Policy,

posters and training. There is no evidence whether these are used or if whistleblowers feel supported and protected.

### **B. Confidentiality**

The organisation has a process in place to manage concerns raised in confidence.

0 1 2 3

#### **Reasoning and Evidence**

We have a process for handling concerns raised confidentially but this is not documented.

#### **Suggested Improvement**

We will review the Policy to explain how we maintain confidentiality sensitively throughout the process meaning a minimum number of people are made aware of the identity of the whistleblower (i.e. need to know).

### **C. Victimisation: protection and sanction**

Instances of victimisation of whistleblowers are sanctioned appropriately.

0 1 2 3

#### **Reasoning and Evidence**

We have no processes for responding to reports of whistleblower victimisation.

#### **Suggested Improvement**

Include in the Policy a process for dealing with instances of victimisation of Whistleblowers - encourage staff to report any acts of victimisation.

### **D. Settlement agreements**

Settlement agreements make it clear that workers are not prevented from making whistleblowing disclosures.

0 1 2 3

#### **Reasoning and Evidence**

There is no standard clause in settlement agreements that makes it clear that nothing in the agreement prevents a worker from making a whistleblowing disclosure. It is not our intention to use settlement agreements to silence whistleblowers. It is expected that anyone who has a complaint, has raised it before that stage. Settlement agreements are used to settle difficult to resolve employment relationships by mutual consent.

## **RECORDING AND INVESTIGATIONS**

### **A. Recording**

Proper records are maintained for concerns raised and investigated.

0 1 2 3

#### **Reasoning and Evidence**

We have no system for recording and maintaining whistleblowing concerns raised.

### **Suggested Improvement**

Implement a secure system or process to record and maintain whistleblowing concerns, including the substance of the concern raised, and methods to make it clear to all Managers when concerns should be recorded.

### **B. Investigations**

Investigations follow clear processes and professional principles.

0123

#### **Reasoning and Evidence**

There is no guidance on managing investigations generally within the organisation or escalation process. However, where Special Investigations (suspected fraud) are undertaken by Internal Audit, a structured and, as far as deemed appropriate, standard approach is applied.

### **Suggested Improvement**

Introduce guidance on managing investigations generally within the organisation which makes it clear to all Managers when concerns should be escalated.

## RESOLUTION AND FEEDBACK

### **A. Resolution**

The organisation has processes in place to ensure that concerns are resolved post investigation.

0123

#### **Reasoning and Evidence**

We have no (standard) process for taking action to resolve whistleblowing concerns which are substantiated after investigation. (i.e. action to deal with wrongdoing, prevent further wrongdoing or remove or minimise a risk). This is because it is considered there is sufficient oversight within the Council to ensure appropriate action is taken.

### **Suggested Improvement**

Introduce a (standard) process for taking action to resolve concerns which are substantiated which makes clear who is responsible for devising, monitoring and completing action plans to resolve concerns and when concerns should be escalated to regulators or other third parties. Lessons learned or positive outcomes from whistleblowing cases fed back to appropriate areas of the organisation and included in any summary reports.

### **B. Feedback to whistleblowers**

The organisation provides feedback to whistleblowers where possible and appropriate.

01(2)3

### **Reasoning and Evidence**

At the point whistleblowers raise concerns, we explain how the concerns will be dealt with and provide an estimate of the length of investigation where possible. We provide feedback to whistleblowers, where possible, on the outcome of concerns raised as a matter of course, subject to limitations imposed by confidentiality / other legalities, and adhere to agreed timeframes.

### **C. Feedback from whistleblowers**

The organisation obtains feedback from whistleblowers on the effectiveness of its whistleblowing policy, procedures and operations.

0123

### **Reasoning and Evidence**

We have no (standard) process for seeking or capturing feedback from whistleblowers during or after the investigation process.

### **Suggested Improvement**

Implement a (standard) process to seek feedback from whistleblowers at the end of the process as a matter of course and use this information to improve arrangements.

**Audit Committee****07 November 2019**

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

**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 One of the actions arising from a corporate management team meeting of 9 July 2019 was to 'Consider a review of the way the corporate risk register is put together with a focus on portfolio holders for strategic risk and officers on operational risks'. As the Council's significant risks could be deemed as having both strategic and operational implications, it is not straightforward to differentiate between what is a 'strategic' or 'operational' risk for reporting purposes and arguably this could be perceived as a simplistic approach. Nonetheless this is an area that may be subject to further discussion at a future Corporate Risk Management Group together with steer from the Corporate Management Team and Portfolio holder. This may be facilitated also by further development of the corporate risk management process over time and the promotion of 'embedding a risk management culture' across the organisation. For now, therefore we have continued to assign accountability for actions to named officers but providing reference to the relevant Portfolio Holder in each case to facilitate oversight. See also paragraph 1.4 below.
- 1.3 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/advised by the accountable officer. 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**).

- 1.4 At the request of the Chair of the Audit Committee, accountability for addressing risk mitigating actions has been restricted to one named officer (as far as possible) to improve ownership and assist monitoring. In some cases these lead accountable officers also rely on information from other Services to enable them to progress actions so this needs to be taken into account.
- 1.5 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 Audit Committee recognise the importance of this and therefore 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.
- 1.6 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 (e) below:

- (a) **Cybersecurity (6)** Following the recent annual health check and ICT Security penetration test any risks highlighted have been addressed. Spelthorne successfully achieved Public Service Network (PSN) certification. Testing is currently underway to be followed by revised and more robust password policy application (this has already been implemented for Councillors with staff rollout to follow).

**Financial Risk (15) – Income Generation (Property)** - An internal audit review has been undertaken for Commercial Asset Acquisitions and Investments and findings have been discussed with Management. The review highlighted that overall there are no significant issues to report albeit there are opportunities to further strengthen the control environment in some areas.

Work is underway to deliver a new Property Management System to effectively manage Spelthorne's property portfolio (investment, community, commercial and residential properties). The initial 'go live' implementation for the acquired software is set for end of September 2019, to be followed by a period for the uploading of the property, sales ledger and finance information. Within this there will be extensive testing to ensure it is robust. It is currently anticipated that the final 'go live' for billing will be April 2020 (subject to billing timescales) and additional

financial resource has been appointed to support the Assets team with implementation.

- (b) **Heathrow Expansion (16)** - A new risk category has been included on the Corporate Risk Register relating to this area giving reference to the significant impact on the Borough and residents (such as noise levels, increased congestion and pollution, reduced green belt and open spaces). A number of robust measures being taken by Spelthorne in response to this are set out in the register (clearly defined expectations and requirements as well as recommended actions). (See paragraph 1.5 also).
- (c) **Political Uncertainty (17)** - Planning and preparation for Brexit prevails in the context of continued uncertainty. The Government continues to send out information regarding a “No Deal” Brexit scenario. However, there has been a lack of clarity on the direct implications for local authorities in relation to changes in the law. Lawyers in Local Government (LLG) have produced guidance for councils on Brexit Secondary Legislation which has been circulated by the Group Head for Commissioning and Transformation as Spelthorne’s lead coordinating officer for Brexit.
- (d) **Environmental risk (20)** – This gives reference to climate change implications, setting out the sustainability measures Spelthorne are taking to demonstrate social responsibility in response to this significant global threat. The Government has now committed to net zero carbon emissions by 2050 and declared a climate emergency. Local councils are required to take appropriate responsible measures and the register sets out some new risk mitigating actions underway or for perusal (see paragraph 1.5 also).

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

- Financial Risk - Income Generation (Property) – risk category 15 – (Effective implementation of Property Management Software and recommendations arising from recent internal audit review)
- Heathrow Expansion – new risk category 16 (Liaison with relevant partners and stakeholders to ensure strategic requirements for Spelthorne continue to be highlighted and monitored)
- Environmental risk (Climate Change) – risk category 20 (Development of sustainability strategy and review of associated policies/action plans)

## 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 (performance management), failure in service delivery (this spans several risk categories), anticipated project outcomes not being met, financial losses and poor value for money, non-compliance with regulatory requirements, a failure to demonstrate corporate social responsibility and negative publicity/reputational damage. The five most significant risk categories identified as part of this review include Cybersecurity, Heathrow expansion, financial risk - income generation (Property), Political uncertainty (Brexit) 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

## APPENDIX 1

CORPORATE RISK REGISTER

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. Actions are assigned to appropriate officers with target dates for implementation. The relevant Portfolio Holder for each risk category is also highlighted.

A

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

Content reviewed October 2019 by the Internal Audit Manager

March/July

PREVIOUS RAG	CURRENT RAG	RISK / IMPACT REFERENCE TO CORPORATE PRIORITY) (WITH)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS (RISK MITIGATION)	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
		<b>1. Health &amp; Safety</b> 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 <b>(CLEAN &amp; SAFE ENVIRONMENT)</b> Operational risk	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 be 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 1v. Additional corporate health and safety resources for both SBC and KGE have been approved and are being taken forward	SEHM * Cllr Boughtflower	31 October 2019 *R Requires Monitoring	<b>October 2019 - Updates outstanding.</b> 1i. <b>Partially Implemented &amp; Progressing.</b> Further documentation and development of Health and Safety Procedures is ongoing. 1ii. <b>Partially Implemented &amp; Progressing</b> . 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. <b>Commenced.</b> Changes have been made to SHE with additional measures are planned. A number of SHE user guidance notes have been written. 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. 1iv. <b>In Progress</b> It is important that there is sufficient representation at the Corporate Risk Management Group across all Service areas to enable relevant concerns to be raised.
		<b>2. Emergency Planning</b> If there was a major Disaster in the borough, e.g. flooding, this may result in significant strain on council services <b>(CLEAN &amp; SAFE ENVIRONMENT)</b> Strategic Risk	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 (September 2019).	NONE	CX (DM)/ GH C & T* Cllr Boughtflower	Completed/ Ongoing Monitoring	<b>October 2019 - There are no further updates to report.</b>
		<b>3i. Performance Management</b> 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. <b>(ALL PRIORITIES)</b>	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.	GH C & T * Cllr Boughtflower	i. January 2020 * R Requires Monitoring ii. January 2020 * R Requires monitoring	<b>October 2019 -</b> 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. Reporting of KPIs takes place on a quarterly basis. Service plan templates will be issued early November 2019. 3iii. <b>In Progress</b> - The corporate plan is currently being reviewed and developed

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		<b>4. Project Governance</b> 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.	<i>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. Actions from the internal audit review of Project Governance (REVISED).</i>	GH C&T * Cllr Boughtflower	January 2020 * R Requires Monitoring	<b>October 2019 - There are no further updates to report for 4i &amp; 4ii further to the status reported in July 2019.</b> 4i. <b>Ongoing.</b> 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. <b>In Progress.</b> (Links with point 4iii below) 4iii. <b>In Progress.</b> Management have considered and are addressing some of the audit recommendations raised from the internal audit review of Project Governance (links with point 4ii above). Revised documentation (streamlined) has been circulated and the Corporate Project team have encouraged consistency in approaches, with online training being developed for rollout in 2020. Oversight by the Project Steering Group and Management Team continues.
		<b>5a. Information Governance</b> 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. Work plan has fed into 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.	<i>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 actively promote the Data protection compliance plan for services to progress compliance within service lines. This plan includes identification of information assets and data mapping (relates also to 5i &amp; 5iii above).</i>	GH C & T *DPO * All Portfolio Holders	January 2020 * R Requires Monitoring	<b>October 2019</b> 5i. <b>Implemented &amp; Ongoing :</b> Data Protection Officer has pursued plan and many information assets are now identified and associated risks identified. Data protection compliance plan for services (issued Autumn 2018) - see 5v. 5ii. <b>Implemented &amp; Ongoing :</b> 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. <b>In Progress</b> - 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 <b>In Progress-</b> Identification of information asset assets for customer Information Assets is mostly complete. <b>5v. Progress-</b> Deadlines in the data protection compliance plan for services have not been achieved in many areas.
		<b>5b Information Governance</b> 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.	<i>5b i. A Disaster Recovery test (ICT) is scheduled for September 2019 and any issues arising will require addressing.</i>	GH C & T (SIRO)/DH ICT * Cllr Boughtflower	30 November 2019 * O Requires Monitoring	5b. <b>October 2019 - In Progress.</b> The Disaster Recovery rehearsal has been postponed to take place mid October 2019.

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		<b>6. Cybersecurity /IT</b> 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 <b>(ALL PRIORITIES)</b>	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 - the application of compensating controls in this area is encouraged. Independent review of the ICT function/resources undertaken in 2018. Telephony review underway considering remote devices.	6i. Following the recent annual health check and ICT Security penetration test any risks highlighted are being addressed.	DHICT *Cllr Boughtflower	6i 30 September 2019 R * Requires Monitoring	6i. <b>October 2019 - Completed/Ongoing Monitoring.</b> All issues were addressed and a Public Service Network (PSN) certificate was received. Currently testing software to be followed by revised password policy application.
		<b>7. Business Resilience - Continuity Planning</b> 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 <b>(CLEAN &amp; SAFE ENVIRONMENT)</b>	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. 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 * Cllr Boughtflower	30 January 2020 R * Requires monitoring	<b>October 2019 - There are no further status updates to report for 7i.</b> 7i. <b>Outstanding.</b> 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.
		<b>8. Workforce - Resilience</b> 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 <b>(ALL PRIORITIES)</b>	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.	GH C & T * Cllr Boughtflower	30 January 2020 R * Requires monitoring	<b>October 2019 - There are no further status updates to report for 8i &amp; 8ii.</b> 8i. <b>Ongoing Monitoring.</b> Resilience is one of the issues being considered as part of the root and branch service reviews. 8ii. <b>In progress</b> - Developments on Root and Branch reviews including efficiencies identified are communicated at corporate staff meetings and via Spelnet. Root and Branch reviews form part of a large programme of work .

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		<b>9. Workforce - Resourcing/Capacity</b> 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, increased sickness and turnover, with subsequent failings in delivery of services. Reduced service capacity may also result in greater instances of error, loss, fraud, theft or irregularity. <b>(ALL PRIORITIES)</b>	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). 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. 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. Compensating controls are required where appropriate.	<i>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)</i> <i>9ii See action at 8ii above relating to Root and Branch reviews.</i>	9i MAT 9ii. GH C & T <b>*Cllr Boughtflower</b>	30 January 2020 R * Requires monitoring	<b>October 2019 - There are no further status updates to report for 9i &amp; 9ii.</b> <b>Completed/Ongoing Monitoring.</b> Additional staffing resource approved for some Service areas in 2019/20, such as ICT, HR, Environmental Health and Assets. K28Since 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. Further growth approved and built into the 2019- 20 Budget for 9ii. <b>In Progress</b> - Root and branch review of services is underway and ongoing in order to identify efficiencies and capacity issues which can be resolved to improve organisational performance and resilience. Some quick wins have been achieved.
		<b>10. Workforce - Recruitment and Retention</b> If there are prolonged staff vacancies due to inability to recruit, then this may result in a failure in service delivery <b>(ALL PRIORITIES)</b>	3	4	4	Market supplements awarded to certain roles when recruiting. Annual review of recruitment and retention allowances. Salary 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. Initial discussions are underway in terms of the pay settlement for 2020-21. Briefing note reported to the March 2019 Audit Committee setting out the effectiveness of recruitment and retention measures.	<i>10i. Any future review of the recruitment and retention strategy should consider the feasibility of a staff referral scheme.</i>	GH C & T/HRM * <b>Cllr Boughtflower</b>	30 January 2020 R * Requires monitoring	<b>10i. At October 2019</b> - Whilst the specific action at 10i is outstanding, the HR Manager has advised that Spelthorne have not experienced any recruitment challenges since March 19, when the last update to Audit Committee was provided. The addition of a market supplement for posts that have been traditionally hard to recruit has been working effectively at present and Management Team supports this. A new HR Systems Information Officer has been appointed and will look at external benchmarking.
		<b>11a. Procurement</b> - 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. <b>(This section links also with section 4 above - Project Management) (ALL PRIORITIES)</b>	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. Procurement Projects group (PPG) . Production of a monthly PPG Report to highlight status of a range of procurements.	<i>11ai. Full compliance with the Local Government Transparency Code is required and should be confirmed once achieved. 11aii. 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. 11aiii. 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. 11aiv. Revised Procurement processes are being established . 11av. Recommendations arising from the recent Internal Audit review.</i>	HOCG <b>*Cllr Boughtflower</b>	30 January 2020 R * Requires monitoring	<b>At October 2019</b> - no updates have been received f in this area. The Internal Audit Manager has updated this section to the best of her knowledge. 11i <b>In Progress</b> - Contract information (register) has been collated and is being published on the Council's website in October which meets requirements under the Transparency Code. ii. <b>Outstanding</b> 11iii. <b>In Progress</b> - 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. 11v. <b>In Progress</b> - The interim Procurement Manager is leading on implementing and promoting revised Procurement processes. Linkages between project governance and procurement continue to be integrated into processes to ensure alignment. . Head of CG will be attending Audit Committee in November 2019 to provide an update. 11vi. <b>In Progress</b> - Audit recommendations will be followed up in due course.

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		<b>11b. Major Procurement</b> - 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. <b>(This section links also with section 4 above - Project Management)</b>	3	3	3	Current Leisure centre operator contract ends 2021. An extended contract is in the process of being agreed via Legal. "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. The Leisure Centre Development Working Group (LCDWG) was formed in early summer 2018 to oversee the project, comprising the Leader (Chair), Cllr Attewell and representatives from Management Team, Comms, Leisure Services and Assets. Overview and Scrutiny progress report of January 2019	<i>11b. An assessment of possible sites for the new leisure centre has been undertaken and a preferred option will be put forward to Cabinet for consideration prior to going back out for public consultation. (REVISED)</i>	Dcex (LO) * Cllr Attewell	30 March 2020 R * Requires monitoring	11b. <b>At October 2019</b> - Negotiations to extend the current operator contract are nearing completion. The process for reviewing alternative sites has been peer reviewed by an independent consultant and a preferred option for locating the new leisure centre will be put forward to Cabinet for consideration prior to going back out for public consultation.
		<b>12. Housing</b> 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. <b>(HOUSING )</b>	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. 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.	<i>12i. Management Team to continue to monitor the ongoing pressures facing the Housing Service highlighted by Management (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. 12iii. Review of Housing and Homelessness strategies to include stakeholder involvement and participation.</i>	Joint Group Heads CW * Cllr Attewell	Completed/ Ongoing Monitoring	12i. Ongoing. 12ii. <b>October 2019 - Ongoing</b> -Monitoring continues as appropriate. 12iii. <b>October 2019 - In Progress</b> . Strategies are under review and consultation will be taking place for the Homelessness Strategy. These will link into the Housing Delivery Programme.
		<b>13a. Economy/ Funding</b> 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. <b>(ECONOMIC DEVELOPMENT &amp; FINANCIAL SUSTAINABILITY)</b>	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 . Participated in the 100% retention of business rates pilot for 2018/19 and exceeded target. 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 - see risk category 20).	<i>13i. Impact of Business Rate arrangements on Council finances is under ongoing review.</i>	DCX (TC)/ Deputy Group Head CR * Cllr Harman	Completed/ Ongoing Monitoring	13i. <b>Implemented and ongoing.</b>

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		<b>13b. Economic Development</b> If the Economic Development Strategy fails to be implemented, this could impact on growth <b>(ECONOMIC DEVELOPMENT)</b>	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 periodically. Periodical 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 period are then included. Prioritisation of projects to benefit from the business rates retention has been completed.	<i>13bi. Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review.</i> <i>13bii. 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>	EDM* Cllr Rybinski	Completed/ Ongoing Monitoring	13bi & ii. <b>Implemented and ongoing review. At October 2019 -</b> there are no further updates to report for this area.
		<b>14. Safeguarding</b> 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. <b>(CLEAN &amp; SAFE ENVIRONMENT)</b>	2	4	4	Council has statutory responsibility for safeguarding children and Adults. Approved and publicised Safeguarding policies and procedures. Staff and Member training and staff inductions include Safeguarding. 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. Internal officer group coordinates responding to safeguarding and early help issues. Monitoring of changes to the referral process.	<i>14i. Officers are currently undertaking the statutory children's Safeguarding audit which is completed annually. Any recommendations arising are to be considered.</i>	LSM* Cllr Attewell	30 January 2020 R * Requires monitoring	14. <b>At October 2019 - no updates have been received for this area . In Progress -</b> 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 .

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		<p><b>15. Financial - Income Generation(Property)</b></p> <p>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.</p> <p><b>(FINANCIAL SUSTAINABILITY)</b></p>	3	4	4	<p>Long term strategic/financial plan. Corporate Plan / priorities reviewed. Member engagement.</p> <p>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.</p> <p>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&amp;P to evaluate. A second set of advisers used to independently assess the robustness and appropriateness of modelling assumptions for acquisitions.</p> <p>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 &amp; 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).</p> <p><b>Further control measures for this risk category are recorded below.</b></p>	<p>15i. A robust governance framework continues to be developed to support property acquisitions and investment processes.</p>	GH R & G* Cllr Harman	15i. Completed /Ongoing Monitoring	<p><b>15i. Implemented/ Ongoing</b> . 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 2019 meeting the Capital Strategy. The 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 was undertaken at the end of June 2019, and updated to reflect the fact that a number of new development proposals are coming forward. The review scheduled for September 2019 focussed on refining performance indicators. In addition, it will set out a suite of Key Performance Indicators against which the Portfolio will be evaluated (over and above that already reflected in the quarterly performance report).</p>
		Risk Category 15 (See above)				<p><b>Further control measures relating to risk category 15 (Property Acquisitions)</b></p> <p>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 &amp; 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.</p>	<p>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.</p> <p>15iii. Effective implementation of Property Management Software (NEW)</p> <p>15iv. Internal Audit Review undertaken of Commercial Asset Acquisitions and Investments (NEW)</p>	GH R & G* Cllr Harman	15.ii & 15iii. 30 April 2020 R * Requires monitoring 15iv. January 2020	<p>15ii &amp; iii. <b>Progress underway-</b> Work is underway to deliver a new Property Management System to effectively manage Spelthorne's property portfolio (investment, community, commercial and residential properties).The initial 'go live' implementation for the acquired software is set for end of September 2019. There is then a 6 month period for the uploading of the property, sales ledger and finance information. Within this there will be extensive testing to ensure it is robust. It is currently anticipated that the final 'go live' for billing will be April 2020 (subject to billing). 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 quarter date for quarter 4 of 2018/19 and for quarter 1 of 2019/20.</p>

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		<b>16. Heathrow expansion</b> (As set out in the Airport Expansion Consultation summer 2019) has the potential to significantly impact the borough/its residents on a wide number of fronts (e.g. increased noise, poorer air quality, 22,000 space southern parkway, roads being brought closer to properties, loss of green belt and open space, ongoing construction sites, increased traffic leading to greater congestion and pollution levels, indiscriminate parking etc.) <b>(ALL PRIORITIES)</b>	4	4	4	The Group Head for Regeneration and Growth is the Corporate lead for the Heathrow Expansion. The Council responded in detail to Heathrow's AEC on 13 September 2019. The Council set out its issues in a 177 page document with 76 actions for Heathrow. 16 key strategic requirements were also set out which Heathrow are expected to meet.	(i) <i>Bi-lateral meetings with Heathrow (where beneficial to do so) to ensure the requirements are met (NEW)</i> (ii) <i>To continue to work as part of Heathrow Strategic Planning Group to ensure that Spelthorne's views are represented at a wider strategic level (NEW)</i> (iii) <i>Work in preparation for the Development Consent Order (statement of common ground and areas/issues for challenge)</i>	GH R & G Cllr Boughtflower	On-going * R Requires Monitoring	This is a new risk category for inclusion on the Council's Corporate Risk Register.
		<b>17. Political Uncertainty</b> 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 & processes. <b>ALL PRIORITIES</b>	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 take place.	17i. <i>MAT to regularly consider potential Brexit uncertainties for Spelthorne and have a plan in place to address.</i> 17ii. <i>Group Head Transformation &amp; Commissioning is participating in regular Countywide Brexit Continuity Planning meetings and briefing MAT, Group Heads and Members. (REVISED)</i>	GH C & T (Lead) All Portfolio Holders	31 October r 2019 R * Requires monitoring	17i. Progress underway - MAT and Group Heads are briefed regularly regarding developments. Preparing/planning as much as possible given the current uncertainty of a "no deal" scenario. 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. Currently awaiting further instructions on next stages. Guidance for Councils on Brexit secondary legislation has been circulated to Group Heads and Managers.
		<b>18. Financial (Returns)</b> 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. <b>(FINANCIAL SUSTAINABILITY)</b>	2	3	3	Treasury Management Strategy approved annually by Members. Approved Capital Strategy (see risk category 15). Reporting of Treasury Management performance to Members. (The Council exceeded Treasury Management target income for 2018/19 and achieved average rate of interest on medium term pooled funds of 4.23% ) 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. The team continues to explore options for diversifying the portfolio. 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. <i>The team are addressing the recommendations arising from the recent internal audit review of the Treasury Management function</i>	DCX (TC) * Cllr Harman	30 January 2020 * R Requires Monitoring	18. A review of the Accountancy structure has taken place in August 2019 to assess staff contingency arrangements/ requirements which should also assist in further enhancing the control environment. The recommendations are being implemented with all anticipated to be implemented by end of 2019. Council commissioned an options paper from Arlingclose on financing which is being considered in the context of the recent uplift by 100 basis points in Public Works Loan Board (PWLb).

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		<b>19. Financial (Debt)</b> 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. <b>(FINANCIAL SUSTAINABILITY)</b>	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. Weekly payments cycle introduced for Housing Benefits to address timing differences for Bed and Breakfast debt/assist monitoring.	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. Development of systems to assist in monitoring of Bed and Breakfast debt in terms of enhancing efficiency and avoiding duplication is ongoing.	DCX (TC)/CS & RM/ GH CW Cllr Harman	30 September 2019 * R Requires Monitoring	19i. <b>Completed</b> - The corporate debt recovery policy has been reviewed and submitted to the Corporate Debt Group, with further revisions underway, after which the final draft version will be circulated to the group by mid October. It will then go to MAT for approval. 19ii. <b>Progress underway</b> - This point has been reiterated in the internal audit review of sundry debtors (June 2019) 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). It is acknowledged that Debts are being referred back to departments on a quarterly report to which they are asked to respond within 6 weeks as to how they wish to move forward with the outstanding balance and provide any debts that need to be written off. 19 (iii) <b>In Progress</b> - Project set up to address and move forward the operational issues but dedicated resourcing, skillset and ownership remains an issue. Internal audit review is underway and advice issued.
		<b>20. Climate Change</b> 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 impact on food systems, supply chains & procurement, economic productivity and losses. If the Council is not seen to be taking action it could result in criticism/bad press/public demonstration <b>(CLEAN AND SAFE ENVIRONMENT)</b>	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. Active members of Surrey Energy & Sustainability Partnership (SESP) and Association of Lead Energy Officers (ALEO). Consideration as part of project implementation as follows : New developments - minimum renewable energy requirement Fuel Poverty - through administering energy grants and promoting energy efficiency measures. Increased renewables capacity with solar PV installations on 2 Day Centres and further plans to do so on other sites. Implementing energy efficiency measures in Council owned buildings Increasing renewables capacity, including with solar PV installations ( 2 of the Day Centres),EV charging provision(some car parks).	20i. The Sustainability Strategy and the Energy & Water Efficiency Policy are being reviewed. (NEW) 20ii. A new Sustainability Strategy is to be developed in 2020. (NEW) 20iii. A new Biodiversity Action Plan is being developed for 2020.(NEW)	SO - MR* Cllr Barratt	31 March 2020 * R Requires Monitoring	This is a reasonably 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. The Government has now committed to net zero carbon emissions by 2050 and declared a climate emergency, with many local councils following suit.
		<b>21. Fraud, Bribery &amp; Corruption</b> If there is an increased risk of fraud / theft/ bribery or corruption 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. <b>(FINANCIAL SUSTAINABILITY &amp; HOUSING)</b>	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, Gifts and Hospitality, 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.	21i. IAM 21ii. Head of CG Cllr Harman & Cllr Attewell	30 January 2020 * R Requires Monitoring	As 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 and includes Housing, Business Rates and Council Tax. A business case has been prepared for continued collaborative working with another authority. 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. <b>Progress underway.</b> Counter Fraud, anti-bribery and corruption refresher training for staff and Members is being pursued with a view to scheduling mandatory training sessions by the end of 2019. The Internal Audit Manager gave a presentation at the corporate staff meetings of September 2019 to raise awareness of the Whistleblowing Policy, in particular promoting the correct reporting channels for raising serious concerns such as fraud, bribery, corruption amongst other categories. 21ii. <b>At October 2019 - No further updates received.</b>

\*KEY TO RAG RATING

PREVIOUS RAG	CURRENT RAG	RISK / IMPACT REFERENCE TO CORPORATE PRIORITY) (WITH LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK (to evaluate)	CONTROLS (RISK MITIGATION)	OUTSTANDING ACTIONS	RISK OWNERSHIP	TARGET DATE	PROGRESS /REASONS WHERE NOT IMPLEMENTED
Actions Overdue & Outstanding					Partially Actioned		Completed/Ongoing Monitoring		

Note that previous RAG ratings are included to illustrate the Direction of Travel for recommended actions

**\*KEY TO TARGET DATES**

**\* N = New Action**

**\*R = Revised target date for assigned action**

**\*O = Original target date for assigned action**

**\*KEY TO OFFICERS**

MAT - Management Team

CX, - Chief Executive, Daniel Mouawad

Head of CG – Head of Corporate Governance, Michael Graham

DHIT - Deputy Head of ICT – Alistair Corkish

Deputy Chief Executive (Chief Finance Officer)- DCX (TC) – Terry Collier

HSIRM - Health and Safety, Insurance and Risk Manager – Stuart Mann

GH C & T - Group Head - Commissioning and Transformation, Sandy Muirhead

GH - NS - Group Head - Neighbourhood Services- Jackie Taylor

Deputy Chief Executive - DCX (LO) – Lee O'Neil

SEHM - Senior Environmental Health Manager, Tracey Wilmott-French

PS - Principal Solicitor, Victoria Statham

DGH CR - Deputy Group Head for Customer Relations, Roy Tilbury

CS & RM - Customer Services and Revenue Manager, Martyn Forward

**PORTFOLIO HOLDERS - recorded under risk ownership column**

GH R & G - Group Head - Regeneration and Growth, Heather Morgan

DPO - Data Protection Officer, Clare Williams

HRM – Human Resources Manager, Debbie O'Sullivan

CM- Contract Managers

JGCW – Joint Group Heads for Community Wellbeing, Deborah Ashman and Karen Sinclair

LSM - Leisure Services Manager, Lisa Stonehouse

RRO – Risk and Resilience Officer, Nick Moon

EDM – Economic Development Manager, Keith McGroary

IAM - Internal Audit Manager, Punita Talwar

SO- Sustainability Officer, Mark Rachwal

**Audit Committee****07 November 2019**

<b>Title</b>	Interim Audit Report		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Punita Talwar, Internal Audit Manager		
<b>Cabinet Member</b>	Councillor Tony Harman	<b>Confidential</b>	No
<b>Corporate Priority</b>	Financial Sustainability		
<b>Recommendations</b>	<b>That the Committee notes the report.</b>		
<b>Reason for Recommendation</b>	<b>Not applicable</b>		

**1. Key issues**

- 1.1 *“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”* (Definition of Internal Auditing - Public Sector Internal Audit Standards)
- 1.2 Appendix 1 summarises Internal Audit work undertaken in the period April to early October 2019, highlighting assurance opinions for reviews undertaken where appropriate. Audit reports were issued to Group Heads and relevant managers, as well as Management Team, and these included recommendations aimed at reducing risks and strengthening internal controls. Progress on implementation of previous audit recommendations issued (where sufficient time has elapsed to enable effective audit follow up) together with the direction of travel is provided.
- 1.3 In addition to planned assurance reviews, details of other work undertaken (including corporate tasks and Special Investigations) 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 with a view to strengthening the control environment
- (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

## **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 Councils 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 being achieved and performance up to 31.3.19 has previously been reported (Annual Audit Report of July 2019). 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. Returns for April to September 2019 are currently being collated, pending information from some Services.

## **4. Other considerations**

- 4.1 Implementation of audit recommendations will assist in the reduction of risks faced by the authority and improve control procedures.

## **5. Timetable for implementation**

- 5.1 Not applicable.

**Background papers: None**

**Appendices: Summary of Internal Audit work April – early October 2019**

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

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**# 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)                      April 2019 (Draft)                      June 2019 (Final)</p>	<p><b>Some Improvement Needed</b></p>	<p>Chief Accountant</p>	<ol style="list-style-type: none"> <li>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.</li> <li>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 and/or revision chart outlining when this document was last updated and when next review date is.</li> </ol>	<ol style="list-style-type: none"> <li>1. To be completed by end of 2019.</li> <li>2. To be completed by end of 2019.</li> </ol>	<p><b>Some Improvement Needed</b></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>3. Periodic spot check should be undertaken on Journals to confirm:</p> <ul style="list-style-type: none"> <li>• That senior officer's approval is obtained for journals exceeding £20k; and</li> <li>• The validity and accuracy of the journals under £20k.</li> </ul> <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 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</p>	<p>3. Completed – Spot checks in place.</p> <p>4. Addressed no further action</p> <p>5. 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>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>		
<p>2. Treasury Management</p> <p>January/February 2019 (Fieldwork) April 2019 (Draft) June 2019 (Final)</p>	<p><b>Some Improvement Needed</b></p>	<p>Chief Accountant</p>	<ol style="list-style-type: none"> <li>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.</li> <li>The Treasury Management procedure manual should clearly set out roles, responsibilities and</li> </ol>	<ol style="list-style-type: none"> <li>Completed - Spot checks in place.</li> <li>To be completed by end of 2019.</li> </ol>	<p><b>Some Improvement Needed</b></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>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 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>3. To be completed by end of 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
			5. Clarity is required over specific roles relating to the 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.  6. Any review of reconciliations undertaken by the Deputy Chief Accountant should be evidenced promptly.	5. To be completed by end of 2019.  6. Completed	
3. Project Governance  January/February 2019 (Fieldwork) April 2019 (Draft) May 2019 (Final)	<b>Major Improvement Needed</b>	Group Head Commissioning and Transformation	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	1. The Project Steering Group have amended documentation, talked at length to project managers and Group Heads to push forward effective project management and consistency in approach.  Consideration has been given to Prince 2 but cost and resources	<b>Some Improvement Needed Corporate Risk Register</b>

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>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> <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>are high for this route so currently looking at on-line training but the main issue is resources within a small Council to implement project management at a Prince 2 level. Many staff have historically had project management training.</p> <p>2. Project Sponsor role is being dealt with at relevant level to ensure projects are pushed forward and the Project Steering Group also play a part in ensuring there is overall governance for a project.</p> <p>3. Project management is a weekly item at MAT and questions are raised in relation to project success and therefore dealt with appropriately.</p>	

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			<p>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.</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"> <li>• 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;</li> <li>• A Project Initiation Document (PID) clearly defining roles and responsibilities; and</li> </ul>	<p>4. The Council has had all these documents in place but because they were seen as onerous they were not effectively completed. A more streamlined document has been produced which is being completed which covers the points raised.</p>	

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			<ul style="list-style-type: none"> <li>• A Gantt chart for the purposes of providing a useful monitoring and communication tool.</li> </ul> <ol style="list-style-type: none"> <li>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.</li> <li>6. Consideration should be given to establishing a mechanism to report projects for which relevant documentation and control processes have not been applied.</li> <li>7. To ensure a consistent and standardised approach to Project Management within 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</li> </ol>	<ol style="list-style-type: none"> <li>5. This is now in place.</li> <li>6. This is escalated to the Project Steering Group and MAT.</li> <li>7. As mentioned above Prince 2 would be a massive time and cost expense to the Council with no guarantee given limited resources that the principles would be fully followed. Hence why proposing some on-line training and regular updates</li> </ol>	

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			<p>team, to facilitate the provision of any ongoing support to Project Managers / Sponsors. 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> <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</p>	<p>with project managers plus reporting to MAT.</p> <p>8. Online training is being developed for rollout in 2020. In the meantime the projects office has meetings with those managing projects and this includes clarity on what is a project.</p>	

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			<p>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 categorised, ensuring corrective action is taken to enable accurate reporting of Project Categorisation and effective project monitoring.</p>	<p>9. This is looked at the Project Steering Group meetings to ensure it is fit for purpose</p>	
<p>4. ICT Audit Needs Assessment</p> <p>January &amp; March 2019 (fieldwork) April 2019 (Draft) May 2019 (Final)</p>	<p>N/A</p>	<p>Group Head for Commissioning and Transformation</p>	<p>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.</p>	<p>N/A</p>	<p>N/A</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
5. Procurement  December, January to March 2019 (fieldwork)  May 2019 (Draft)  October 2019 (Final)	<b>Major Improvement Needed</b>	Head of Corporate Governance	<ol style="list-style-type: none"> <li>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 Chief Finance Officer of non-compliance.</li> <li>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.</li> <li>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</li> </ol>	<ol style="list-style-type: none"> <li>1. The Head of Corporate Governance considers this compliance action to be outside the scope of the current procurement model established.</li> <li>2. Agreed for implementation by April 2020.</li> <li>3. Implemented October 2019.</li> </ol>	<b>Major Improvement Needed</b>  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>the goods and/or services being provided, supplier name and 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> <p>5. The Council should identify the skills required for those involved in the letting and management of contracts and consider the need</p>	<p>4. Agreed to develop further by March 2020. Recruitment planning for the new Procurement Officer is underway.</p> <p>5. Ongoing.</p>	

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			<p>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 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</p>	<p>6. Agreed to consider as part of future review of Contract Standing Orders.</p> <p>7. Whilst a procurement vision and service strategy has been previously completed (to go on Spelnet), the Head of Corporate Governance will be producing a</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>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> <p>9. A master schedule of all procurement requirements is needed and should flow from budget planning.</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</p>	<p>further strategy to clarify the 'what and how' .</p> <p>8. Agreed. This will follow action 7 above.</p> <p>9. Agreed. The Head of Corporate Governance considers this relates more to Service and Financial Planning processes, these being areas that don't fall under his remit.</p> <p>10. Implemented October 2019 and links to recommendation 3 above.</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>maintain this record and ensure that it stays up to date.</p> <p>11. An individual or groups should be allocated responsibility for overseeing 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</p>	<p>11. Recruitment planning is underway for a new Procurement Officer, and if successful this will help in addressing this action.</p> <p>12. The Head of Corporate Governance considers this compliance action to be outside the scope of the current procurement model established.</p> <p>13. Whilst acknowledged there are sometimes practical limitations to achieving full compliance.</p>	

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			<p>needs to assume "implied terms", the Council should ensure that they will 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> <ul style="list-style-type: none"> <li>• Requesting and undertaking appropriate financial checks;</li> <li>• Establishing the contract clauses required to protect the Council's interests,</li> </ul>	<p>14. Whilst the Head of Corporate Governance supports the recommendation, individual departments are responsible for retaining documented contract files and therefore this action applies to all contract managers.</p> <p>15. Management envisage resource limitations as preventing full achievement of this recommendation. This is acknowledged.</p>	

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			<ul style="list-style-type: none"> <li>• Obtaining supplier business continuity plans;</li> <li>• Understanding where data will be held and accessibility of data; and</li> <li>• 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.</li> </ul> <p>Once documented, the roles and responsibilities should be communicated to relevant staff. This may be achieved through incorporating this into existing procurement or contract management guidance.</p> <p>16. A contract management framework should be developed and documented to set out how contract managers should monitor contracts; what information</p>	<p>16. Agreed for implementation by 31 March 2020.</p>	

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			<p>should be reported, and how the outcome of the monitoring should be recorded.</p> <p>17. 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>18. Contract managers should be encouraged to seek advice 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>19. Roles, responsibilities and reporting lines across the Council for the devolved procurement</p>	<p>17. Agreed for implementation by 31 March 2020.</p> <p>18. Agreed for implementation by 31 March 2020.</p> <p>19. The Head of Corporate Governance already considers</p>	

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			<p>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> <p>20. 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>21. All staff and Members should receive mandatory fraud awareness training (incorporating Procurement fraud, bribery and corruption) endorsed by the Strategic Management Team.</p>	<p>that this action has/is being addressed.</p> <p>20. Agreed and underway.</p> <p>21. This has been agreed in principle with the Section 151 Officer and a suitable trainer has been identified.</p>	

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6. Homelessness Reduction Act – Embedding of Revised Processes March & April 2019 (fieldwork) June 2019 (Draft) July 2019 (Final)	<b>Effective</b>	Joint Group Heads Community Wellbeing	There are no recommendations arising from this audit review.	N/A	<b>Effective</b>  Corporate Risk Register
7. Debtors  February to April 2019 (fieldwork) May 2019 (Draft) June (Final)	<b>Some Improvement Needed</b>	Deputy Group Head for Customer Relations / Interim Customer Services and Revenues Manager / Chief Accountant	<ol style="list-style-type: none"> <li>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.</li> <li>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</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed to be completed by end of November 2019.</li> <li>2. Agreed to be completed by end of 2019.</li> </ol>	<b>Some Improvement Needed</b>  Corporate Risk Register

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			<p>allocated, these should be written back.</p> <p>3. The Council should review its current approach whereby all 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.</p>	<p>3. Debts are being referred back to departments on a quarterly report and they are asked to respond back within 6 weeks as to how they wish to move forward with the outstanding balance and provide any debts that need to be written.</p>	

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			<p>Consideration should also be given to reporting 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 Debt</p>	<p>4. The recovery policy has been submitted to the Corporate Debt Group. Further revisions and content need to be added and will be circulated to the group by Mid October.</p> <p>5. Management are now keeping a record of write-off and to quality check them on a regular basis.</p> <p>6. The write-off procedure is currently being updated to reflect consistency with the values that are in the financial regulations report, final draft for this will be</p>	

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			<p>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>completed by Mid-October.</p> <p>7. Supressed accounts monitored and evidenced as of the 07/08/2019. Implemented.</p>	
<p>8. The new Spelthorne Leisure Centre</p> <p>April &amp; October 2018 (fieldwork) December 2018 (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"> <li>• A project charter which defines the project scope;</li> <li>• A steering group*</li> <li>• Formal, approved terms of reference for the steering group;</li> </ul>	<p>1. All of recommendation 1 is agreed and implemented apart from the need for a Project Charter. The use of a Project Charter is not currently part of the Council's project management methodology and the introduction of such an approach would have resource implications. Management feel it is not clear how this would provide any added value and no</p>	

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			<ul style="list-style-type: none"> <li>• A clear set of regular reporting arrangements (defined in 3) above;</li> <li>• A detailed plan which covers all aspects of the project</li> </ul> <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 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>evidence has been provided to demonstrate where this has been used successfully elsewhere.</p> <p>2. Agreed and being implemented.</p>	

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			<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> <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</p>	<p>3. Recommendation not agreed. The use of a Project Challenger is not currently part of the Council's project management methodology and the introduction of such an approach would have resource implications. Management feel it is not clear how this would provide any added value and no evidence has been provided to demonstrate where this has been used successfully elsewhere.</p>	

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			<p>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 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</p>	<p>4. The affordability of the project will be subject to detailed evaluation by the project manager and external advisors who have significant expertise in the development of leisure centres for local authorities. This will be reported to the Leisure Centre Development Working Group and ultimately to Cabinet before any decision is made to progress with the development of a new centre.</p> <p>5. Negotiations with the current operator (EA) on extending their existing operator contract are well advanced. The condition of the current Leisure Centre will be kept under review until any new Leisure Centre is developed.</p>	

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			<p>worthwhile continuing to operate the 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 can be made about the best way for the council to achieve its objectives. This can</p>	<p>6. Implemented.</p>	

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			<p>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> <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</p>	<p>7. Agreed and Implemented.</p> <p>8. Recommendation 8 not agreed in full although further consideration will be given in due course.</p> <p>9. Agreed and being implemented.</p>	

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			<p>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>	<p>10. Agreed and being implemented.</p>	
<p>9.Cash Collection &amp; Banking June 2019 (Fieldwork) August 2019 (Draft) September 2019 (Final)</p>	<p><b>Some Improvement Needed</b></p>	<p>Chief Accountant</p>	<p>1. The Accountancy Team should complete the development of procedural guidance on how to perform reconciliations relevant to cash and banking tasks. This document should be maintained in a network drive accessible to relevant staff and be subject to annual review by management.</p> <p>2. The procedural guidance in place relevant to cash and banking should be reviewed on at least a</p>	<p>Management will be requested to provide a status update on implementation in due course, which can be reported to a future Audit Committee.</p>	<p><b>Some Improvement Needed</b></p>

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			<p>biennial basis and updated where required to include current working 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 existent guidance detailing when these were last reviewed and their next review date.</p> <p>3. There should be segregation of duties in place between the Officer processing cash and cheques on to the ACR System and the Officer reviewing and signing off the Daily Control Spreadsheet. This represents a fundamental control measure.</p> <p>4. Consideration should be given to enhancing the Cashbook reconciliations spreadsheets and/or documents to include the name of the Officer performing the reconciliation, balances,</p>		

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			<p>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> <p>5. The Money Laundering Policy should be subject to annual review. The Head of Corporate Governance, who acts as the Money Laundering Reporting Officer (MLRO), should ensure the Money Laundering Policy is reviewed and, where necessary updated to ensure it reflects current practice. Evidence of such reviews and/or updates should be reflected in the policy through version control or a revision chart embedded in the Policy document.</p>		
10.Commercial Asset Acquisitions and Investments	<b>Some Improvement Needed</b>	Group Head Regeneration & Growth	1. With regards the appointment of Professional Advisors, where the procurement process followed falls outside the requirements of	The audit review was primarily aimed at providing assurance on asset acquisitions completed as well as highlighting any	<b>Some Improvement Needed</b>

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<p>Stage 1 June 2019 (Fieldwork completed)                      Stage 2 July 2019 (Fieldwork completed)                      September 2019 (Draft)</p> <p>Currently under discussion with Management and wording may be subject to further refinement</p>			<p>Contract Standing Orders (regarding compliance with thresholds for seeking alternative quotes/undertaking a tender process) then the rationale and explanation for the decision should be clearly documented, including evidenced approval from Cabinet.</p> <p>2. To enhance further the governance framework around assets acquisitions and Investments, it is acknowledged that a report has been prepared by the Corporate Governance team intended to go to a future Cabinet meeting titled 'Decision Making in respect of Council Property and the role of the Property and Investment Committee' which is intended to 'update and streamline the decision making process for dealing with asset transactions whilst providing a clear audit trail</p>	<p>improvement actions should future opportunities arise.</p>	

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			for decisions'. The proposal is to replace the 'IPC' with 'PIC'		
11. Payroll  March/April 2019 (fieldwork) July 2019 – Improvement Actions highlighted with Management October 2019 – (Draft) (Delays from Service Provider)	<b>Some Improvement Needed</b>	Group Head Commissioning and Transformation/Human Resources Manager	<ol style="list-style-type: none"> <li>1. Where previous recommendations relating to the 2017/18 Audit remain outstanding these have been highlighted.</li> <li>2. The monthly reconciliation between I-Trent and Integra should be completed on a monthly basis and independently reviewed, with consideration given to retaining electronic evidence of sign off. (Accountancy)</li> <li>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.</li> <li>4. Staff should be reminded that employment forms should only be</li> </ol>	Management will be requested to provide a status update on implementation in due course, to be reported to a future Audit Committee.	<b>Some Improvement Needed</b>

Appendix to Interim Audit Summary Report (October 2019)

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			accepted for processing if they have been signed by an approved signatory. A copy of the approved signatory listing should be circulated for information.		

**WORK IN PROGRESS:** The following assignments are currently underway. Audit recommendations for these assignments including assurance opinion ratings will be reported to a future Audit Committee. Any issues arising are highlighted below.

Creditors (Core Financial System)

- Procedure notes require updating to confirm they are in line with current working practices.
- A report of new suppliers and amendments to existing supplier data should be run from Integra on a monthly basis, and independent checks undertaken to confirm validity.
- Officers setting up new suppliers on the Integra system should be consistently evidenced/traceable.
- Staff should be reminded that the scheme of delegation (for authorising payments) must be complied with. Where the delegated limits have not been updated for some time and are deemed too low, these should be reviewed and updated accordingly.

Bed and Breakfast Accommodation - Internal Audit were made aware 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. This has been a large piece of work with several strands to the audit (as well as a review of the core Bed and Breakfast processes, monitoring of progress with development of the Rent Management (B & B) project has been undertaken) and a meeting has been held with management to discuss initial findings and observations. Key risks / issues to note are as follows:

- Poor System Integrity - As the access database is prone to human error (established that known errors are still taking place) it is not fit for purpose. It is acknowledged that the Housing Options team are considering new systems to replace Access (as part of the Project).
- Inefficiencies/Duplication and Error - A significant amount of officer time and effort is spent reconciling information across systems (Access database and Integra financial system), representing an unwieldy and inefficient process with an increased risk of error due to manual input. Going forward, debt management processing and monitoring should be restricted to the Integra Financial system. This is being considered as part of the Project.
- Irreconcilable systems - as the access database is prone to human error and the reconciliation exercises with Integra often become overdue, there are always going to be differences between Access and Integra (irreconcilable systems) making it challenging to ascertain a true picture of the overall B & B debt at any point in time, increasing the level of aged debts and financial losses.
- The timeliness of debt management needs to be improved to ensure that where there is little chance of recovering amounts due, they are requested for write off promptly.
- Key developments on the Rent Management (B & B) project set up some time ago (with a view to addressing some of the known issues highlighted above) are acknowledged such as the move to a weekly Housing Benefits cycle to address timing differences, Integra development work, exploration of extending Civica functionality. Obstacles that have prevented progress include unclear ownership and overall accountability, lack of dedicated resources across all teams to focus on the project, lack of consensus or clarity/visibility perhaps on the 'defined need', delays in reviewing

system/software solutions (Locata enhancement pending). Internal Audit have highlighted the importance of Senior Management (relevant Group Heads) making a joint decision on how to move the project further forward in the first instance and have also suggested some improvements to project governance of this area, as well as acknowledging some initial proposals put forward by Management.

Inspectors Function – (Customer Services)

- No evidence of documented policies and procedures or relevant training incorporating key legislative requirements have been provided by Management.
- Evidencing of management checks being undertaken as part of quality control review of the Inspectors duties is required
- Improved segregation of duties is necessary to ensure Inspectors are only granted appropriate access permissions
- To seek opportunities to undertake pro-active fraud work with Partners.
- Health and Safety issues have been highlighted.

Development Control – Fieldwork has been completed and audit conclusions are being finalised.

Property Development – Audit Commenced and fieldwork in progress.

Business Rates – Audit commenced and fieldwork in progress.

Building Control - Audit commenced and fieldwork in progress.

GDPR - Scoping is underway for the planned audit review.

Brexit - Scoping is underway for the planned audit review.

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 this interim audit reporting process.
Assurance templates (Risk and Control matrix)	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 which supports risk based auditing and continue to encourage Management input, 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"> <li>❖ Reporting to Audit Committee three times a year (9 reports per year) includes Internal Audit activity</li> <li>❖ Meetings with the new Audit Committee Chair and Portfolio Holder for Finance/Audit</li> <li>❖ Following up and responding to actions/ questions raised by Audit Committee members</li> <li>❖ Input to Audit Committee Training provided by external trainer in July 2018</li> <li>❖ Annual Audit Opinion &amp; input to Annual Governance Statement</li> <li>❖ Liaison meetings with the new External Auditors (BDO) to discuss working approaches, audit findings and key timelines.</li> <li>❖ Audit Planning including timings, allocations, scoping and prioritisation review</li> <li>❖ Preparation of audit briefs, terms of reference and work programmes</li> <li>❖ Supervision and guidance including quality review process for every audit review undertaken</li> <li>❖ Exit Meetings with management and finalising audit reports</li> <li>❖ Responding to Senior Management requests to defer planned audit assignments / reduce scope</li> <li>❖ Escalation where necessary to enable finalisation</li> </ul>
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.</p>
Corporate Counter Fraud	<p>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 returns up to 30.9.19 are being collated (awaiting information from some Service areas). Spelthorne’s overall return as at 31.3.19 was the third highest across the eight Surrey Partners who participate in the Surrey Counter Fraud Initiative.</p> <ul style="list-style-type: none"> <li>❖ 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. In accordance with the procurement process, the Internal Audit Manager has prepared a business case to continue procuring counter fraud resource until 2021/2022, to be reported in due course to the Procurement Projects Group. 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. Meetings 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 and pro-active fraud initiatives relating to Business Rates continue to be encouraged.</li> </ul>

	<ul style="list-style-type: none"> <li>❖ It is envisaged that County wide led exercises on Single Person Discount fraud will continue to be undertaken on an annual basis, generating benefits for all Surrey Partners participating in the SCFP.</li> <li>❖ External groups are attended with Surrey Partners including the Surrey Counter Fraud Partnership (SCFP). 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.</li> <li>❖ Internal Audit circulates details of frauds and scams identified nationally or locally to make staff aware of risks.</li> <li>❖ All audit reviews consider fraud risks. However, it remains the responsibility of management to ensure they have systems in place to prevent and detect fraud.</li> <li>❖ The Internal Audit Manager gave a presentation at the September staff meetings on the Confidential Reporting Code (Whistleblowing Policy), with a view to raising staff awareness of the policy and highlighting correct reporting channels for raising serious concerns (including fraud and irregularity as well as several other categories). Liaison with the Communications team took place to ensure the latest Confidential Reporting Code (Whistleblowing) poster is publicised across staff noticeboards and easily accessible electronically.</li> <li>❖ Awareness raising sessions on Counter Fraud, Bribery and Corruption are to be organised for all Officers and Members, with a view to running mandatory sessions by the end of 2019. In tandem with this, Reigate and Banstead Council will be delivering fraud training for high risk public fraud areas such as Housing, Council Tax and Business Rates.</li> </ul>
Internal Audit Charter	In compliance with Public Sector Internal Audit Standards (PSIAS) a thorough review of the Audit Charter was undertaken and approved by Audit Committee in July 2019. This took into account the CIPFA Publication of April 2019 on the 'Role of the Head of Audit'.
Raising Awareness of the Internal Audit function	The Internal Audit Manager attended a MAT plus meeting in June 2019 to raise awareness of the role of Internal Audit. This will be followed up in due course with a further session.
Contractor Resource Management	Commissioning of audit assignments with the service provider under the Apex Framework provides access to both generalist and specialist skills such as ICT and Contract auditing. Performance monitoring is undertaken and contractor feedback provided.

<p>Audit advice to management &amp; Liaison (responsive and pro-active work)</p>	<ul style="list-style-type: none"> <li>❖ Attendance at working groups to offer advice where appropriate on risk and control implications, (Corporate Risk Management Group, Corporate Debt Group, ICT SIG, Property Management Software Implementation Project).</li> <li>❖ Property Development Unit –offered advice regarding implementation of the new Property Management software system</li> <li>❖ Root and Branch review for Direct Debits - advised on risk and control implications for processes being proposed</li> <li>❖ Asset Governance – acknowledged proposed revision to delegations and decision making process /comments</li> <li>❖ Business Rates relating to payment processes for high value transactions</li> <li>❖ Insurance/stolen vehicle</li> <li>❖ Secure Workspace – Document Sharing software</li> <li>❖ Confidential advice to some service areas/special investigatory work</li> <li>❖ Whistleblowing Process</li> <li>❖ Various MAT reports – governance, risk and control issues</li> </ul>
<p>Internal Investigations</p>	<ul style="list-style-type: none"> <li>• Following a special investigation led by Internal Audit, a number of improvement measures aimed at strengthening the control environment and minimising financial losses have been highlighted to Senior Management, thereby reducing future fraud and other risks.</li> <li>• Following a Management led investigation, advice has been provided to the Section 151 Officer regarding enhancements to the associated control environment.</li> </ul>
<p>Miscellaneous</p>	<p>Various as summarised below:</p> <ul style="list-style-type: none"> <li>❖ Attendance at Corporate training sessions</li> <li>❖ Continuous Professional Development, training and support for professional study, auditing seminars</li> <li>❖ Service Planning</li> <li>❖ Performance Management / 1-1's</li> <li>❖ General/team management (staff training/Inductions/ admin/GDPR Compliance Plans/ Health and Safety/ Budget/Legal Liaison/ Service Continuity Planning/Health and Safety etc.)</li> <li>❖ Secure disposal of manual information to help reduce storage and review of working practices to reduce paperwork</li> <li>❖ MAT feedback meetings with the Deputy Chief Executive</li> <li>❖ Corporate staff meetings</li> <li>❖ Marketplace event for Councillors</li> </ul>

**Audit Committee****08 November 2019**

<b>Title</b>	Effectiveness of the system of Internal Audit		
<b>Purpose of the report</b>	To note		
<b>Report Author</b>	Internal Audit Manager, Punita Talwar		
<b>Cabinet Member</b>	Councillor Tony Harman	<b>Confidential</b>	No
<b>Corporate Priority</b>	Financial Sustainability		
<b>Recommendations</b>	<b>There are no recommendations</b>		
<b>Reason for Recommendation</b>	<b>Not Applicable</b>		

**1. Key issues**

- 1.1 'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes'. (Definition of Internal Auditing - Public Sector Internal Audit Standards - PSIAS)
- 1.2 The mission of Internal Audit is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. (PSIAS)
- 1.3 Public Sector Internal Audit Standards (PSIAS) 2017 have been adopted by the Certified Institute of Public Financial Accounting (CIPFA) and apply to internal audit service providers working within the public sector, whether in-house, shared services or outsourced.
- 1.4 The latest CIPFA statement on 'The Role of the Head of Internal Audit' (published April 2019) places greater emphasis on the organization's responsibility to support the role of internal audit in order to enable the function to effectively meet its expected professional standards. Therefore, this is an important consideration in reviewing internal audit effectiveness.
- 1.5 PSIAS set out core principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness.

1.6 Requirements relating to quality assurance are set out in the PSIAS, with an extract highlighted below:

*'The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must include both internal and external assessments'.* (In PSIAS the 'Head of Internal Audit' role is referred to as the Chief Audit Executive. At Spelthorne, the Internal Audit Manager represents the 'Chief Audit executive' for the purposes of PSIAS).

1.7 As set out above an 'External Quality Assessment' for Internal Audit is a requirement under the Public Sector Internal Audit Standards (PSIAS) and should be undertaken once every five years as a minimum. An external review process was undertaken during quarter 3 of 2018/19 through a three way reciprocal arrangement with two other local authorities in Surrey. All Auditors undertaking the review at respective sites were suitably qualified (holding either CMIIA or CCAB qualifications) with extensive internal audit experience. The external assessment focussed on compliance with the Public Sector Internal Audit Standards (PSIAS) and the International Professional Practices Framework (IPPF) on which PSIAS is based. It focussed primarily on the 2017/18 financial year. The outcome of the review for Spelthorne including the overall positive conclusions of the assessor (generally conforms to PSIAS requirements) and any action plans were reported to members of the Audit Committee in November 2018. Several areas of good practice were identified at the time of the External Quality Assessment with some examples set out below (these are also referred to under Internal Audit Effectiveness for 2018/19 as they are still relevant).

- Risk based audit plan
- Risk scoring / prioritising of assignments since 2018
- Regular monitoring of audit performance
- Periodic reporting to the Audit Committee
- Methodical and thorough working papers supporting audit findings
- Detailed and effective quality review of audit assignments
- Delivery of a varied audit work programme with robust supervision and review

Some improvement actions from the external review have been fully addressed whilst other areas are in progress. This is discussed in more detail at section 1.10 of this report. Resourcing, capacity issues and unplanned work (referred to also in Internal Audit's Service Plan for 2019/20) have not enabled full completion of the action plan, but the Internal Audit Manager will endeavour to address these in the coming months by March 2020.

1.8 As part of the annual process for assessing Internal Audit Effectiveness the Internal Audit Manager has completed a detailed PSIAS self-assessment checklist primarily focussed on the 2018/19 period whilst acknowledging further developments. Examples of Internal Audit Effectiveness for 2018/19 are highlighted below, as ascertained from the self-assessment process. These provide examples of conformance with Public Sector Internal Audit Standards (PSIAS) and demonstrate how the function has added value.

## 1.9 Internal Audit Effectiveness – 2018/19

1.9.1 Risk Based Audit Planning – A risk based approach is applied to determine the annual audit plan of activity to be undertaken each year through consultation with Group Heads and Managers, consideration of the Corporate Risk Register, any known system weaknesses or vulnerabilities and all known auditable areas (audit universe). The plan is approved by Audit Committee (March) and used to evaluate (through risk assessment) and improve the effectiveness (through delivery of agreed audit recommendations) of risk management, control and governance processes within the organisation. A varied work programme is in place (covering a broad range of systems/functions/corporate cross cutting reviews) which aligns with best practice. As new risks emerge the audit plan objectives are reviewed and reprioritised. During 2018/19 there was a significant period of resource shortage in the team (between April and October 2019, essentially a reduction of 1 FTE from a team of 1.75 FTE) and therefore reprioritising of the plan took place considering the higher risk areas.

1.9.2 Assurance Framework & Independence - 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 first line of defence in the overall assurance framework. Internal Audit have continued to encourage managers to provide assurance that controls in their functions/services are operating effectively using various approaches. Firstly Internal Audit have populated assurance templates (where appropriate) through discussion with Management to facilitate the identification and assessment of risks for specific functions/areas under review. This methodology also supports risk based auditing thereby adding value to the audit process and the Council. This process could be enhanced further if Management consistently provide a reasonable level of input to the process by giving due consideration to risks in their respective functions, so this will continue to be encouraged to promote greater Management ownership. Secondly, Group Heads and Managers are requested to sign off internal audit reports for their respective areas to confirm that reports are factually correct and controls are operating as described. In the majority of cases these are signed off by the relevant Group Head or MAT member, albeit there have been a few cases where Management have not signed off reports.

Internal Audit represents the third line of defence in the Council's overall assurance framework and provides independent assurance to management and councillors that the Council's key risks are being properly managed, with advice on enhancing the control environment and addressing weaknesses where necessary. The Internal Audit Manager attended a MAT Plus meeting in June 2019 to raise awareness amongst Group Heads and the Corporate Management Team on the 'Role of Internal Audit', promoting the importance of audit independence. This will be followed up with a further session to promote understanding of the role.

Consideration is given to all sources of assurance for each area in the Audit Plan as this will influence time allocations/areas of focus for the audit. Regular assurance reporting to Audit Committee summarising work undertaken and assurance ratings granted for planned audits has taken place.

Preparation of an overall assurance framework (map) 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. As an improvement suggestion, any such framework does need to be developed over time, requiring input from various Services including Internal Audit.

- 1.9.3 Independent Audit Opinion - Based on Internal Audit work undertaken, the Internal Audit Manager provided to the Audit Committee an overall evidence based audit opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement for 2018/19. This is a key outcome of internal audit activity, and was contained in the Annual Audit report presented to the July 2019 Audit Committee.
- 1.9.4 Follow Up of Audit Recommendations - To promote greater management ownership of controls and risk mitigating actions, Group Heads and Deputy Chief Executives (as appropriate) are required to provide confirmation that agreed audit recommendations for their respective functions have been implemented. The Internal Audit Manager reports the direction of travel in implementing audit recommendations to Management Team and Audit Committee (Annual Audit Report and Interim Audit Report). This approach was endorsed by Management Team in 2017 and continues to work reasonably well. Audit recommendations are also followed up at every audit review where appropriate.
- 1.9.5 Quality Assurance and Improvement Programme – Internal Audit's activity and performance is managed through the Council's performance management framework as well as periodical reporting to the Audit Committee (3 times a year). The internal audit service plan outlines the key performance data that will measure delivery of the service. Service and personal targets are monitored periodically through appraisals and 1-1's. An external quality assessment of Internal Audit activity has been undertaken in November 2018 (see earlier reference) and a review of the 'Effectiveness of Internal Audit' is undertaken annually and reported to Management Team and Audit Committee. All audits undertaken are subject to a robust quality review process by the Internal Audit Manager, giving due regard to compliance with audit processes and methodologies set out in PSIAS when performing engagements, ensuring that audit findings and conclusions are supported. These combined mechanisms provide opportunities to identify ongoing improvements in working practices, staff development, as well as highlight achievements. The revised Audit Charter (2019) gives reference to these mechanisms and how the quality of Internal Audit is monitored and managed.
- 1.9.6 Scrutiny and review – There is periodical reporting of Internal Audit activity to the Audit Committee (3 times a year). External Audit assess the work of Internal Audit at interim and final audit stages, and all final internal audit reports issued during 2018/19 were submitted to External Audit at their

request. There is also regular dialogue between Internal and External Audit during the year through quarterly liaison meetings with the s151 Officer which also provides an opportunity to highlight any system control weaknesses/risks/fraud or irregularity cases. The current External Auditors (BDO) also attend every Audit Committee.

Current regulations do not allow External Audit to use Internal Audit work to inform their own opinions and therefore they place a lower level of reliance on Internal Audit than previously. Nonetheless, BDO have already expressed an interest in referring to Internal Audit working papers where deemed beneficial to avoid duplication of effort. No issues of concern have been raised by External Audit (BDO) for 2018/19 at this stage.

- 1.9.7 Declaration of Interest – An annual declaration of interest submission is a requirement for all officers at Spelthorne in accordance with the staff code of conduct. This ensures that any potential conflicts of interest or matter that may impair their ability to be impartial and unbiased in performing their duties are appropriately managed. No conflicts of interest have been declared during 2018/19 from Internal Auditors' submissions.
- 1.9.8 Reporting and Positioning - 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. The Internal Audit Charter states 'Internal Audit will have unrestricted access to the Audit Committee, Chief Executive, Members of Council, the Deputy Chief Executives and all employees of the authority'. The Internal Audit Manager is confident that the reporting lines allow the Internal Audit activity to fulfil its responsibilities and will continue to liaise and meet regularly with the highest levels of the organisation ("PSIAS requires the Internal Audit Manager to be appropriately positioned, reporting at the highest levels of the organisation" - Audit Charter).
- 1.9.9 Proficiency and Due Professional care– The Internal Audit Manager holds a professional auditing qualification from the Chartered Institute of Internal Auditors and has full chartered status (CMIIA). The Senior Auditor joined Spelthorne in November 2018 and is currently studying for the Certified Internal Auditor (CIA) professional qualification. Contracted audit resource was used to plug skills gaps in some areas to supplement in-house skills and knowledge (such as undertaking an ICT Audit Needs Assessment to inform future ICT Audit planning), or to fill resource shortages. The Internal Audit Manager is confident that Internal Audit possesses or has the means to obtain, the skills, knowledge, or other competencies required to deliver its responsibilities, although the wider issue in terms of Internal Audit being adequately resourced to effectively fulfil its responsibilities in a council that now has a significant commercial property portfolio and is undertaking ongoing property development activity, has been raised previously and is referred to again under section 1.10 of the report. Training and seminars are promoted/attended to keep abreast with auditing skills and technical expertise, ensuring continuous professional development. Auditors 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 (for which training was attended in June 2019) and the Chartered Institute of Internal Auditor's Global Code of Ethics. Auditors have been reminded at regular intervals of the importance of complying with Auditor Code of Ethics, in particular the core principles around independence, objectivity, integrity and confidentiality.

1.9.10 Non – Audit Work - The Internal Audit Charter (revised June 2019) sets out that appropriate safeguards will be put in place to ensure Internal Audit independence is not compromised from the Internal Audit Managers involvement in Corporate tasks/'Non-Audit' Work referred to below.

1.9.11 Corporate (Non-Audit Work) - Corporate Risk Management - The Internal Audit Manager coordinates and updates the Council's Corporate Risk Register, which represents the Councils most significant risks, reporting three times a year to members of the Audit Committee and Cabinet. The Audit Committee monitors risks raised in the Corporate Risk Register and Managers have attended the committee on some occasions to advise on how they are addressing risk mitigating actions. The efficiencies associated with Internal Audit's role in coordinating the Corporate Risk Register have been highlighted to Management Team and Audit Committee, for example significant risk exposures and control/governance issues identified from audit work can be considered for inclusion on the Corporate Risk Register to enable greater visibility, regular monitoring and review. Similarly, the Corporate Risk Register is used to inform the internal audit process including annual planning. This matter is also elsewhere in this report.

1.9.12 Corporate (Non-Audit Work) - Corporate Counter Fraud – The Internal Audit Manager has continued to take a lead in promoting and coordinating counter fraud measures through preparation of growth bids (and more recently a business case), oversight and coordination, high level contract monitoring through liaison with colleagues, collation and reporting of counter 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 in terms of notional savings to the public equates to almost £2.5m (since the start of the Surrey Fraud Partnership in January 2015 and shared across SBC, Surrey CC and Surrey Police) with estimated cashable savings for Spelthorne of £482k. Spelthorne's cumulative fraud return as at 31.3.19 was the third highest across the eight Surrey Partners who participate in the Surrey Counter Fraud Partnership Initiative and Spelthorne's Business Rates return which stands at £1,089,060 (notional savings) remains the highest across this group. Specifically for the 2018/19 period, the overall savings to the public purse equated to £890k with cashable savings for Spelthorne amounting to £154k.

Spelthorne continues to procure 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 prepared by the Internal Audit Manager in November 2018 has been secured from 2019/20 for 3

years. Collaborative working has produced positive outcomes particularly in Housing with enhanced verification checks for new claims. Referrals to Reigate for 2018/19 have demonstrated significant returns for Housing equating to notional savings to the public purse of £702k (using calculation rates applicable at the time). The wider social benefits need to be considered for Housing (as well as financial returns) e.g. where tenancies are retrieved due to sub-letting or housing applications are found to be fraudulent, this ensures that more social housing is available for those people who are genuinely in need of a home, leading to a reduction in housing applicant waiting times and reduced temporary accommodation (B &B) costs. There have also been wider benefits for Spelthorne's Housing team with opportunities to enhance learning and skills in this area. Opportunities to further address business rates tax avoidance and evasion continue to be explored.

### **1.10 Progress in implementing improvement actions highlighted previously**

Improvement actions highlighted previously from the quality assessment process (external and internal) are set out below, together with a status update.

1.10.1 The Audit Charter should be refreshed and shared with senior management and the audit committee.

Status – Fully Implemented. The Audit Charter sets out the purpose, authority, responsibility and organisational independence 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. A full review and refresh of the Audit Charter was undertaken in June 2019 giving due regard to requirements sets out in the PSIAS. This was reported to Management Team in July 2019 and approved by the Audit Committee on 25.7.19. It is intended that the Charter will be reviewed biennially going forward and reported to Management Team and Audit Committee at the appropriate time of year.

1.10.2 The audit manual, and other documents, should be reviewed to ensure they are current and reflect existing procedures.

Status – In Progress. The processes and procedures set out in the comprehensive manual and documents in use are still considered relevant and act as a reference point for all team members. Where necessary updates and fine tuning will be undertaken by 31 December 2019. A process flowchart is already held regarding the audit process.

1.10.3 An Audit Strategy should be adopted to supplement the audit charter and set out how the audit service will be delivered and developed.

Status – Outstanding. It has been deferred until further clarity is established on whether additional audit resource is to be approved by the Council's Management

Team and Members from 2020/21 onwards as part of the growth bid process. This will help determine how the audit service will be delivered and the extent to which it can be developed. The strategy document will also clearly set out the purpose and vision of Internal Audit and its links to organisational objectives and priorities.

1.10.4 Consideration should be given to adopting a Quality Assurance Improvement Process (QAIP) to ensure the audit function continuously performs in accordance with the Charter

Status - At the time this action was raised, the Internal Audit Manager agreed with the external assessor that further development of the QAIP needs to be proportionate to the size of the Audit function. Also where appropriate cross referencing to existing processes which contribute to the QAIP will continue, such as the annual effectiveness review as this provides a good indication of adherence to the Audit Charter, as well as the Performance Management framework. Where there is scope to further formalise the QAIP this will be considered going forward.

1.10.5 The report accompanying the annual audit plan should indicate whether audit resource currently available is sufficient to meet the audit need ('need' as determined from the audit planning process), highlighting any anticipated resource shortfall.

Status – Fully Implemented. This approach was adopted for the 2019/20 audit planning process and the anticipated resource shortfall reported to the corporate management team in March 2019. The corporate management team's preferred direction was to reprioritise and reduce the audit plan coverage for 2019/20, focussing on what was more realistically achievable within current resource available. Discussions were also held with regards aligning future requests for additional audit resources to the budget growth bid process timetable.

1.10.6 Internal Audit to undertake a review of Organisational Ethics in 2019/20 as this is a requirement under PSIAS i.e. to evaluate the design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.

Status – A review of organisational Culture (also aimed to incorporate some aspects of Ethics) was proposed as part of the 'audit need' document reported to the corporate management team in March 2019. Following the requirement to reprioritise the list of proposed audits for 2019/20, it was agreed that this area would be deferred to 2020/21.

1.10.7 Organisational Independence - To arrange at least one independent meeting a year between the Internal Audit Manager and the Chair of the Audit Committee as well as regular more informal liaison.

Status – Fully Implemented. In order to preserve internal audit's independence and objectivity, the Internal Audit Manager has met independently with the Chair of the Audit Committee and opportunities for informal liaison are available. This took effect from June 2019 to coincide with the appointment of the new Audit Committee Chair.

1.10.8 Corporate Risk Management – Given that the Internal Audit Manager is responsible at Spelthorne for coordinating and updating the Council’s Corporate Risk Register which falls under the category of corporate non-audit work, discussions to be held to confirm whether such arrangements are to continue and if so alternative arrangements to be considered for reviewing the effectiveness of the organisation’s corporate risk management processes (i.e. cannot form part of the Internal Audit planned activity to ensure independence is not compromised) .

Status – Partially Actioned. The issue was raised and discussed at Corporate Risk Management Group and subsequently with the Chief Executive and s151 Officer (December 2018) where it was decided that the Internal Audit Manager should continue to coordinate periodical review of the Corporate Risk Register and that at some future point options for this process to be independently reviewed/audited by someone with appropriate expertise could be considered. Scope for audit colleagues at other Surrey authorities to undertake this as part of a reciprocal arrangement may be limited given that at those authorities periodical review of the corporate risk register is not undertaken by Internal Audit and therefore consistent benefits may not be gained from such an exercise. It also seems appropriate that any such review is undertaken once Spelthorne are further developed in its corporate risk management approach (this has been elaborated on previously during discussions with the Chief Executive and s151 Officer).

### **1.11 Further Proposed Improvements (At October 2019)**

1.11.1 To implement any outstanding actions set out under 1.10 above.

1.11.2 The latest CIPFA statement on ‘The Role of the Head of Internal Audit’ (published April 2019) places greater emphasis on the organization’s 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 the Strategic Management Team and Audit Committee, as well as the Internal Audit Manager in striving for continued effectiveness.

1.11.3 Reporting and Positioning – To set up periodical joint meetings with the Chief Executive and Section 151 Officer to ensure timely communication of relevant issues . (“PSIAS requires the Internal Audit Manager to be appropriately positioned, reporting at the highest levels of the organisation” - Audit Charter).

1.11.4 Assurance Framework Preparation of an overall assurance framework (map) 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. As an improvement suggestion, any such framework does need to be developed over time, requiring input from various Services including Internal Audit.

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

2.1 Not Applicable.

## **3. Financial implications**

3.1 Resources required (staff time) to implement improvement plan actions should be contained within existing budgets as far as possible.

## **4. Other considerations**

4.1 Not Applicable.

## **5. Timetable for implementation**

5.1 Improvement Plan actions aim to be prioritised and delivered by 30 September 2020 subject to resource availability.

**Background papers: Public Sector Internal Audit Standards**

**Appendices: There are none.**

**WORK PROGRAMME 2019/20**

**AUDIT COMMITTEE – 7 NOVEMBER 2019**

**Resolution Required**

**1. Work Programme**

- 1.1 This report covers the Work Programme for 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:-

- **19 March 2020**

- 2.2 Details of the Work Programme for future meetings are as follows:

<b>March 2020</b>		
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	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**

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