Notice of meeting

Audit Committee

Date: Thursday, 23 July 2020

Time: 6.00 pm

Place: Skype for Business Conference Call

To the members of the Audit Committee

Councillors:

C.L. Barratt	H. Harvey	J.R. Sexton
R. Chandler	M.J. Madams	
J.T.F. Doran	L. E. Nichols	

Councillors are reminded to notify Committee Services of any Gifts and Hospitality offered to you since the last Council meeting so that these may be entered in the Gifts and Hospitality Declaration book.

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

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1. Appointment of Chairman

To appoint the Chairman of the Audit Committee for the municipal year 2020-21.

2. Apologies

To receive any apologies for absence.

To confirm the minutes of the meeting held on 7 November 2019.

4. Appointment of Vice Chairman

To appoint the Vice Chairman of the Audit Committee for the municipal year 2020-21.

5. Disclosures of Interest

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

To review the draft Corporate Risk Management Policy.

To note the report by the Internal Audit Manager.

To note the report by the Internal Audit Manager and recommend the Corporate Risk Register to Cabinet for approval.

9. External Audit update

To receive a verbal update on outstanding issues.

To receive a report from the Internal Audit Manager.

To consider and approve the Annual Governance Statement for 2019-20.

Minutes of the Audit Committee
7 November 2019

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

Councillors:

S. Buttar   A.C. Harman   V. Siva

J.H.J. Doerfel   L. E. Nichols

Apologies: There were none.

283/19   Minutes
The minutes of the meeting held on 25 July 2019 were agreed as a correct record.

284/19   Disclosures of Interest
There were none.

285/19   Confidential Reporting Code
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. The Audit Committee is required to review the code annually.

The Head of Corporate Governance advised that a review of the Code, using a benchmarking tool, had highlighted some areas for improvement and suggestions had been proposed for the Committee to consider. The benchmarking tool was designed for use by a wide range of organisations and therefore some of the standards would not be appropriate for the Council.

Questions were asked about the type and regularity of communications to staff to build awareness of the Code. Concern was also expressed at the low number of reported whistleblowing incidents and that this may not reflect the true situation. The Head of Corporate Governance advised that some instances would have been dealt with through other procedures, for example bullying and harassment by Human Resources and not brought to this area.

The Committee suggested it would be appropriate to arrange a staff survey by an external organisation on a number of issues and recommended that consideration is given to this.

Resolved:
1. That the Head of Corporate Governance should carry out further work on improving the Confidential Reporting Code and bring it back to the

Committee for consideration. The Head of Corporate Governance will provide a timeline to the Committee for this.

2. To recommend that the corporate management team consider appointing an external organisation to conduct an anonymous staff survey on a range of issues.

286/19   Update on Audit Services team resource
Terry Collier, Deputy Chief Executive, advised the Committee that a growth bid for the Internal Audit team had been submitted for consideration, together with bids from other departments, as part of the budget process for 2020/21. The proposals would be considered and then put to Cabinet and subsequently to Council for approval in February 2020.

The Internal Audit Officer outlined the historical structure of the team and cited her rationale for the extra resource, namely that the Council's operations had expanded considerably and therefore the level of risk had also increased. Audit planning processes had highlighted the shortfall of resource compared to need. The shortfall had been supplemented in terms of flexible resource but this had created some additional issues.

Resolved to note the update and record the Committee's support of the proposal for additional resource for the Internal Audit team.

287/19   Corporate Risk Management
The Internal Audit Manager reminded the Committee that changes were envisaged for the Corporate Risk Register, following the recent training session, to provide a greater focus on corporate objectives, with fewer risk categories, and identify the risks associated with those. The strategic planning process would also be taken into account.

The Internal Audit Manager summarised the risks affecting the Council as outlined in the report and highlighted a number of key issues, including cyber security, the proposed Heathrow expansion and the resultant risks for the borough, the environmental risk around climate change and political aspects connected to Brexit.

Terry Collier, Deputy Chief Executive, reported that the corporate management team were receptive to the proposals put forward for a more focused risk register relating to key priorities and looked forward to working with the Internal Audit Manager to move that forward.

The draft format for the Corporate Risk Register was to be presented back to the Committee for comment in January.

Resolved that:
1. The contents of the Corporate Risk Register be noted and accepted;
2. The Corporate Risk Register be recommended to Cabinet for approval.
3. The Committee support the changes proposed to the Corporate Risk Register.

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288/19   Internal Audit Services half-yearly report 2019/20

The Internal Audit Manager presented her report which summarised the work undertaken by Audit Services during the period April 2019 to early/mid October 2019 and work in progress. In addition to planned assurance reviews, other work had been undertaken including reactive and proactive advice given to services on risk and control actions. The counter fraud arrangements with Reigate & Banstead Borough Council had proved effective and resulted in good returns. A growth bid in relation to this had been secured and a business case submitted.

The Internal Audit Manager indicated that she would like more involvement in emerging risks to give further insight and value in that area.

In response to a question from the Committee, the Internal Audit Manager spoke of the importance of trying to gain the support of staff and for the audit team to be viewed as being there to help rather than hinder. She was endeavouring to raise awareness and promote understanding of the role by attending meetings of the Heads of Services.

Questions were raised about some of the issues in the interim report. Specific concerns related to the project governance and procurement reports and recommendations. The Head of Corporate Governance responded to questions about procurement advising that a great deal of improvement work was taking place. He outlined the changes to strategy and operational measures that had taken place since procurement had been under his remit and the reasons the changes were necessary.

Resolved to note the Interim Internal Audit report.

289/19   Annual review of the effectiveness of Internal Audit 2018/19

The Internal Audit Manager presented her report on the effectiveness of the system of internal audit outlining the core principles and requirements they are required to adhere to.

An external quality assessment was undertaken in 2018/19 which resulted in some areas of good practice and also some improvement actions being identified. The Internal Audit Manager provided an update on those items which were in progress but had not yet been fully implemented.

The importance of the organisation supporting audit was one of the action points and the Internal Audit Manager advised that regular meetings were being set up with the Chief Finance Officer and the Chief Executive. Independent meetings with the Chief Executive would be set up if considered necessary.

Terry Collier, Deputy Chief Executive, advised the Committee of the introduction of the CIPFA Financial Management Code which provides

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guidance for good and sustainable management in local authorities. The Council were engaging with CIPFA on this and would be holding a workshop at the Council offices. It was stressed that this was for all managers, and was not just a finance function. Once the initial training had taken place, the Committee would be provided with an update.

Resolved to note the report on the effectiveness of internal audit 2018/19.

290/19   Update from BDO, External Auditors
BDO, the External Auditors, did not attend the meeting as there was little to report due to the delay in KPMG, the previous external auditors, finalising the Statement of Accounts for 2018/19 and issuing the Value for Money opinion.

Terry Collier, Deputy Chief Executive, advised that KPMG are still considering their value for money opinion and had recently requested additional information. Officers were hoping to respond quickly to try to bring the situation to an end. Arrangements will be made for BDO to come to complete their work as soon as possible.

The Committee expressed their dissatisfaction with the situation and considered the options available to record their concern at the lack of progress and how KPMG could be brought to complete their findings.

Resolved to note the update and escalate concerns to Public Sector Audit Appointments Ltd (PSAA) if KPMG have not completed the value for money opinion by the end of 2019.

291/19   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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Audit Committee

23 July 2020

SPELTHORNE
MEANS BUSINESS

Title	Corporate Risk Management Policy		
Purpose of the report	To note		
Report Author	Terry Collier		
Cabinet Member	Councillor S. Buttar	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	**That the Committee reviews the draft Corporate Risk Management Policy and feedback to officer any suggestions to revisions**		
Reason for Recommendation	**As existing Corporate Risk Management Policy has not been refreshed for a number of years it is timely to update the Policy.**		

1. **Key issues**

1.1   The nature and complexity of the Council's operations and the service context it operates within has increased significantly in recent years. It is therefore right that the Council refreshes its Corporate Risk Management Policy and Guidance. This follows on from the training session members of the Audit Committee had with Elizabeth Humphrey in October 2019.

1.2   All activities that the Council undertakes involve risk and opportunity. We manage these risks and opportunities by identifying and analysing them and then evaluating whether action should be taken so that the risk or opportunity falls within our risk appetite. The Council believes that risks should be managed rather than avoided and that consideration of risk should not stifle innovation and creativity, but should enable it to take advantage of opportunities that present themselves. The draft policy outlines the Council's approach to the management of risks and opportunities, using a structured, focused and proportional approach.

1.3   The draft Policy has been discussed at the officer Corporate Risk Management Group on 4th March and has been refined in the light of feedback.

1.4   It will be noted that the Policy sets out the Council's approach to Risk Management and sets out the links between risk management, corporate planning and operational management. The guidance explains the corporate approach to scoring risk. The Policy sets out a suggested corporate view on

Risk Appetites, see section 8 of the report and Appendix 1) which builds on the discussion with Audit Committee members.

1.5 The Policy addresses, section 9, the approach to Risk Register including the Corporate Risk Register. This links to the updated approach towards the Corporate Risk Register and the focus on a smaller number of corporate risks which impact on the delivery of corporate objectives. See the separate Corporate Risk Register report on the Agenda of this meeting.

1.6 Once the Corporate Risk Management Policy has been approved it is intended to have a programme to raise manager's awareness. The Corporate Risk Management Group suggested provide two hour "bite size" refresher training sessions. An executive summary will be produced to aid communication of the key elements of the Policy.

2. Options analysis and proposal

2.1 The Corporate Risk Management Policy which has been appended to this report, is very much a draft, and officers would welcome feedback from Members of the Committee on any suggestions as to how the Policy can be refined before it is finalised.

3. Financial implications

3.1 None directly. However, good risk management arrangements helps mitigate financial risks as well as other forms of risk.

4. Other considerations

4.1 As commented above effective corporate risk management helps protect the organisation against all forms of risk including with respect to Human Relations, legal challenge, addressing Sustainability issues.

5. Timetable for implementation

5.1 New Policy to be approved by 30 July 2020.

Background papers:

Appendices: 1- Draft Corporate Risk Management Policy and Guidance

Spelthorne Borough Council: Risk Management Policy and Guidance

Contents

January 2020

1.   Introduction

In common with all organisations, Spelthorne faces internal and external factors and influences that make it uncertain whether or when it will achieve its objectives. The effect of this uncertainty on objectives could be either a risk or an opportunity. All activities that the Council undertakes involve risk and opportunity. We manage these risks and opportunities by identifying and analysing them and then evaluating whether action should be taken so that the risk or opportunity falls within our risk appetite. Effective risk and opportunity management is a crucial part of Spelthorne Borough Council's arrangements to ensure good governance by providing assurance and ensuring that the Council is risk aware. Being aware of risks includes being able to identify them, evaluating their potential consequences and determining the most effective methods of controlling or responding to them.

The Council believes that risks should be managed rather than avoided and that consideration of risk should not stifle innovation and creativity, but should enable it to take advantage of opportunities that present themselves. This policy outlines the Council's approach to the management of risks and opportunities, using a structured, focused and proportional approach. Risk management is integral to all policy planning and operational management throughout the Council and integrates with our corporate governance and performance management.

This approach to risk and opportunity management actively supports the achievement of the agreed actions, projects and programmes set out in the Council Strategy.

Risk is the chance of something happening or not happening that will affect the achievement of business objectives.

Good risk management is about identifying what might go wrong, assessing the Council's level of tolerance towards that and then putting in place measures to prevent the worst from happening, or to manage the situation if something goes wrong. It is also about assessing what must be done to enable the achievement of the Council's objectives and acting in a way that makes this more likely to happen. Opportunity management is about identifying potential developments that could make a positive difference to the achievement of the Council's objectives, assessing the pros and cons (the benefits and risks) of those opportunities and pursuing those that seem beneficial.

2.   Our corporate approach to risk management

Risk management is the identification, analysis and effective control of all threats to the achievement of the organisation's strategies and operational activities.

Risk management is about providing assurance by being risk aware. Risk is present in everything that we do and taking some risks is inevitable if the Council is to achieve its objectives. Risk management is about making the most of opportunities when they arise and achieving objectives once decisions are made. By being risk aware, we are better placed to avoid threats and take advantage of opportunities. Proper project management processes and principles identify potential risks early on and set out how these can be avoided or mitigated and we aim to embed these principles in our practices.

By embedding a culture of conscious risk and opportunity management into the Council throughout all activities, including projects, members and officers are able to make effective decisions about services and the use of financial resources to ensure that the Council's objectives are met. An effective corporate approach to risk management will:

- Make it more likely that the Council's objectives, short and longer-term, are achieved
- Support the effective delivery of projects
- Safeguard the organisation and provide assurance to members and officers
- Become part of every manager's competency framework, job description and performance appraisal
- Provide support to the overall governance of the Council
- Inform and improve decision making
- Identify issues early on
- Provide a greater risk awareness and reduce surprises or unexpected events
- Develop a framework for structured thinking
- Raise awareness of the need for risk management by all our partners is service delivery
- Ensure better use of finances as risks are managed and exposure to risk is reduced
- Ensure a consistent understanding of and approach to risks

3.   Our risk management framework

Risk management is the process of identifying significant risks and opportunities relevant to the achievement of Spelthorne's corporate and operational objectives, evaluating their potential consequences and implementing the most effective way of managing and monitoring them. The framework and processes supporting risk management at the council involve:

- A risk assessment tool (section 4)
- Details of how risk management supports corporate planning and operational management (section 5)
- Risk appetite statement (section 8)
- Monitoring and review arrangements (section 10)
- A timetable linked to the corporate programme (section 11)

4.   Risk assessment tool

The principles

The Council generally manages risk effectively during the course of its normal operations through its management structure and governance arrangements. The process is a cyclical and iterative one which, at its simplest is summarised in the diagram overleaf.
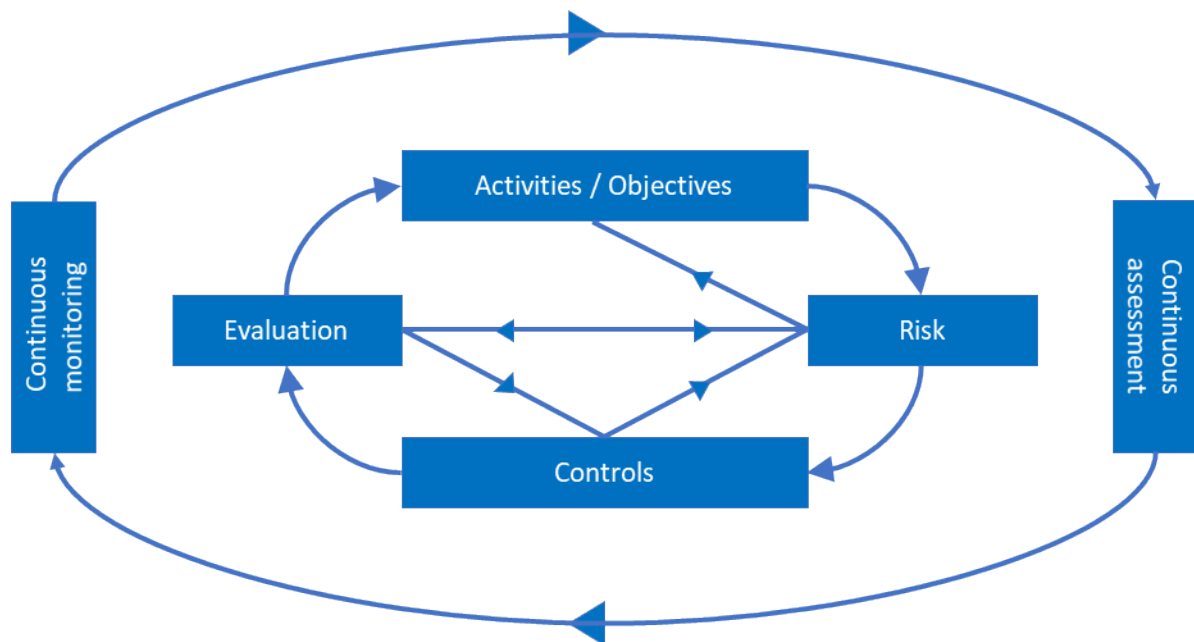
Always keep a sense of proportionality regarding day-to-day risks and apply the following principles:

- Managers have a good understanding of their services and service developments, and are able to identify the risks and opportunities involved
- Managers understand the limits that the Council places on the action that can be taken by any individual officer. There is a general awareness of what management action is appropriate and where further consultation and approval are necessary. The risk appetite formalises this understanding and ensures a consistent approach is taken throughout the Council
- Bureaucracy is to be avoided, especially in preparing documents solely to demonstrate (rather than support or enhance) effective management. The cost (in terms of time involved) relative to the benefit gained by defining every possible risk in detail and assigning impact and likelihood scores to each risk associated with every planned or current activity is deemed too great to be worthwhile. However, where there are known concentrations of risk, such as in a service development or relating to our objectives or major projects, managers understand that they should document, monitor and manage these risks, using the Council's scoring mechanism. Similarly, the corporate management team should seek to identify, assess and manage those risks that seem likely to cause problems or bring benefits at a corporate level
- Managers should consider the potential threats and opportunities involved in any new service developments and improvement projects and should monitor ongoing performance. Documenting risks, related controls and mitigating actions should be undertaken where this is helpful and appropriate and risk registers should be prepared, using the Council templates (see appendix 2 and intranet REF)

It is the responsibility of all staff to assess the risks and opportunities associated with their work and projects and to escalate any potential risks, including project/programme risks, which they cannot manage within sensible parameters to the corporate management team and/or the corporate risk management group. Potential opportunities should also be raised so that well-thought-through decisions can be taken about pursuing them.

Risk and opportunity identification

We are all responsible for identifying risks to our daily activities and in our projects: even if you are not formally involved in a risk identification exercise, you should be alert to the possibility of unmanaged and/or changing risks and highlight these to senior management. We are also all responsible for identify potential opportunities that could enhance the services that we deliver.

Risks and opportunities must be identified at the start of any new projects or activities, at agreed points as those projects progress and as part of the annual Council planning process as part of setting and agreeing the Council's objectives. When identifying risks or opportunities, it is important to think broadly and across Council activities and structures, using your imagination and always remembering the link to Spelthorne's corporate objectives. Ask yourself the following questions:

- What are our major challenges?
- What are our objectives?
- What changes or other events are coming up?
- What must we get right?
- What can't we afford to get wrong?
- What keeps me awake at night?
- What could I get fired or disciplined for doing/not doing?
- What are our assumptions?
- Have we had any near misses?
- What are we choosing to ignore?

The following aide memoire, while not exhaustive, is helpful to ensure that all likely risk areas are considered:

Sources of risk	Risk examples
Physical, including infrastructure	Transport, communications and utilities, highways and access. Building conditions, location and site security. The impact of Acts of God or pollution. Security of plant, equipment, IT
Legal and political	Changing government policy, legislation, national or local political control, meeting manifesto commitments. Following organisational policy. Legality of operations, especially in relation to property purchases
Societal	Changes in demographic, residential or social trends on objective delivery
Technological	Capacity to deal with obsolescence and innovation, product reliability, development and adaptability, use of technology to meet changing demand
Competition and markets	Affecting the competitiveness of services and/or ability to deliver value for money and general market effectiveness
Customers and stakeholders	Satisfaction of citizens, users, central/regional government and other stakeholders. Managing expectations, especially consulting and communicating on difficult issues
Sustainability, environmental	Environmental consequences arising from options (for example, in terms of energy efficiency, pollution, recycling, emissions, etc) Climate change adaptation/mitigation risks
Financial	Costs, long-term financial sustainability/reliance on finite or vulnerable funding streams. Management of investment properties, especially optimism bias. Financial control, fraud and corruption

Sources of risk	Risk examples
People management and human resources	Changes to services that may affect staff and/or ways of working. Resourcing the implementation of decisions. Employment issues. Health and safety of staff and users
Contracts and partnerships	Dependency on/failure of contractors to deliver services or products to the agreed cost and specification. Procurement, contract and relationship management. Overall partnership arrangements, for example for, community safety and regeneration
Reputation	Affecting the public standing of the Council, partnerships or individuals within these. Management of issues that may be contentious with the public or media. The impact of the actions of others on the Council's reputation
Professional judgement and activities	Risks inherent in professional work, for example assessing clients' welfare or planning or response to the Human Rights Act

Describing risks

To take effective action to manage risks or deliver opportunities, it is important to understand it as thoroughly as possible, which requires a clear description of the risk or opportunity, especially its causes. The diagram below summarises this:
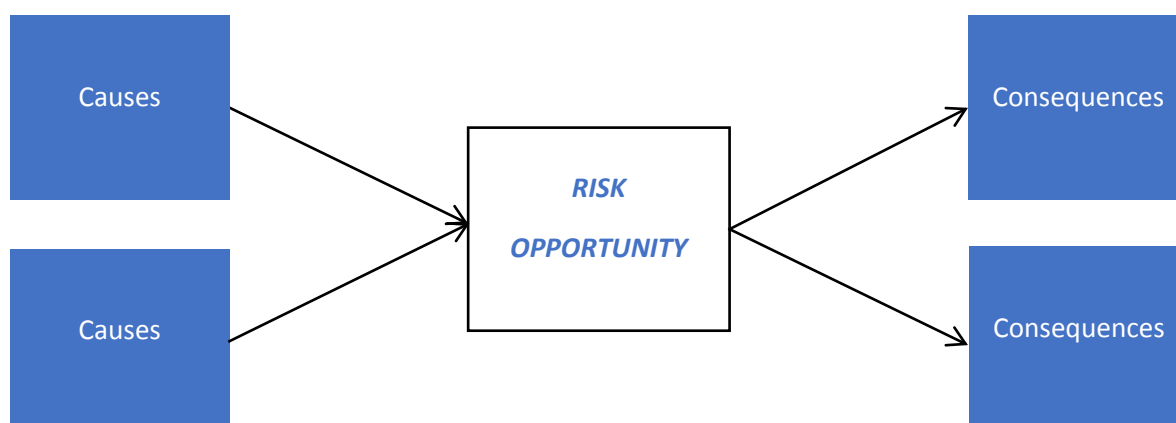
You need to consider what might cause that risk or opportunity and what the consequences (or effects) of that risk might be. To identify a cause ask yourself "why might this happen? …. And why might that happen?" To identify effects, answer the "so what?" question. You can have many causes for one risk, one cause for many risks, many or a single consequence and any combination of these. You should work both backwards and forwards: ask yourself what the underlying circumstances are that create the conditions that mean that the risk might happen and ask yourself what would happen next … and after that … and after that …

The Corporate Risk Group reviews the Corporate Risk Register quarterly and escalates any key issues to the Management Team, who also review the Corporate Risk Register three times a year to assess any emerging risks or risks that should be removed. Risk owners for corporate risks are generally members of the Management Team and the Cabinet. The Corporate Risk Register is formally agreed by Cabinet and is reported to the Audit Committee at least every four months.

The Annual Governance Statement (AGS) is also a key part of risk management and plays an important role in identifying and escalating risks. The AGS is produced following a review of the Council's governance arrangements and explains how the Council delivers good governance. Underpinning the Statement are individual Assurance Statements, completed by each group head and including details of significant risks for their service areas. Group heads should refer to this Policy when completing their Assurance Statements and providing details of risks affecting the pursuit of team objectives.

5 The links between risk management, corporate planning and operational management

By embedding risk management into the existing policy and service planning processes, members and officers are able to take informed decisions about the appropriateness of adopting a policy or service delivery option. Risk and opportunity management information is one of the key pieces of information that supports the development of corporate and operational plans. It is an essential element in establishing policy, developing plans and enhancing operational management as follows:

a) The Council Strategy reflects the desired outcomes for Spelthorne Borough, informed by consultation with the public and stakeholders. The Strategy for 2020 – 2023 outlines how the Council will deliver its vision for this period. It is focussed on the key outcomes in a way that is consistent across the Council's aims with regard to both local and national priorities. During the lifetime of the Strategy, there will be direct and indirect threats to the achievement of the outcomes and also opportunities that could enhance those outcomes. These risks and opportunities must be properly managed.

b) As part of the annual service planning process, each team considers the key actions to be taken and targets for performance. An assessment of the risks and opportunities forms part of this planning, identifying and prioritising the most significant risks faced in delivering the key priorities for the year, with actions identified to mitigate and manage these. These actions are then managed as part of the normal business of the team.

c) Each member of staff has an annual appraisal which monitors progress made and sets objectives for the coming year to deliver service plan actions. As part of this, risk and opportunity management is cascaded down to staff as an objective to gain their support and awareness of the management of risk within Spelthorne.

d) Measurement of performance against the Council's objectives, performance indicators and key tasks is undertaken in several ways:
   I. In addition to day-to-day management, teams carry out regular reviews of progress in their areas, including an assessment of progress against Council actions, performance trends and risks. Material exceptions are reported to Cabinet for consideration and action planning, if necessary
   II. The Management Team and Cabinet keep an overview of financial plans, service performance and emerging risks as part of the review of the corporate risk register three times a year

6. Evaluating risks

The Council evaluates its risks on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. Risks are evaluated with their controls (see section 7) in place. Risks are plotted on a risk matrix (see below) and prompt action is taken on those risks that fall into the red zone. Action is considered for "yellow" risks while "green" risks are regarded as acceptable.

Impact		1 (rare)	2 (Unlikely)	3 (Likely)	4 (Almost certain)
4		Yellow	Red	Red	Red
3		Green	Yellow	Yellow	Red
2		Green	Green	Yellow	Yellow
1		Green	Green	Green	Green
		Likelihood (over 4 years)			

Impact rating

The table below provides the definitions which should be used to determine a risk's impact.

	Trivial (1)	Medium (2)	Major (3)	Catastrophic (4)
Financial	Less than £20k Up to 2% of value of project or activity	£20k - £200k Up to 5% of value	£200k - £2m Up to 10% of value	More than £2m More than 10% of value
Objectives	No effect	One objective cannot be delivered OR Some noticeable effect on several objectives	Failure to deliver more than one objective AND impact on others OR All objectives significantly effected	Cannot deliver most objectives
Service provision	No effect	Slightly reduced	Service suspended in the short term Reduced level over the longer term	Service suspended long term Statutory duties not delivered
Health & safety	Sticking plaster First aider	Broken bones/illness Lost time, accident or occupational ill health	Loss of life/major illness Major injury, including broken limbs/hospital admittance	Major loss of life Large scale major illness
Morale	No effect	Some hostile relationships and minor non cooperation	Industrial action	Mass staff leaving Unable to attract staff
Reputation	No media attention Minor letters	Adverse local media Leader column	Adverse national publicity	Remembered for years

	Trivial (1)	Medium (2)	Major (3)	Catastrophic (4)
Government relations	One-off single complaint	Poor assessment(s)	Service taken over temporarily	Service taken over permanently

Likelihood rating

We are unlikely to be able to calculate the probability of a risk occurring in a statistically robust fashion as we do not have the data to do so. However, as an indicator, the likelihood of a risk occurring is defined as follows:

Likelihood	Description
1 Rare	Once in every four years
2 Unlikely	A few times over four years but less than annually
3 Likely	Several times over four years, more than annually
4 Almost certain	Will probably happen several times a year

7   How we respond to risks

Once a risk has been identified, we need to decide and agree what we are going to do about it. The approach we take is summarised as the 5Ts:

Treat
The great majority of our risks will be addressed by treating them, that is by putting in place effective controls to constrain the risk or to reduce its impact or likelihood to acceptable levels. We can:
Prevent the risk from occurring, normally with barrier-type controls
Spot the risk before it happens and taking action to stop it, using an alarm perhaps
Mitigate the risk, reducing the impact through detective and recovery controls
Remediate after the event through business continuity planning or an exit strategy.

Transfer
For some risks it may be possible to transfer them to another party for them to bear or share the risk, for example through insurance or partnership. Reputation risk can never be transferred.

Tolerate
Where it is not possible to treat or transfer a risk, or where it is not cost effective to apply any further controls to a risk, we can choose to tolerate the remaining risk, taking action to manage the consequences should it occur. This may mean having contingency plans in place, typically a business continuity plan, which will reduce the duration and impact of a risk (see **remediate** above)

Terminate
Some risks are so great and/or the cost of managing them is such that the only effective way of addressing them is to stop doing whatever led to the risk and/or try to achieve the same objectives in a different way. The public sector is limited in its ability to terminate activities as many are driven by statute and may be conducted in the public sector because the associated risks are so great that there is no other way in which the outcome, which is required for the public good, can be achieved. The option of stopping doing something is particularly important in project management if it becomes clear that the projected costs are

going to outweigh the benefits. An exit strategy is an example of project termination.

| **Take the opportunity** | This option is not an alternative to those above; rather it is an option that should be considered whenever tolerating, transferring or treating a risk. There are two aspects to this: |

    I.   As well as reducing risks an opportunity could arise to exploit a positive impact. For example, if a large sum of capital funding is to be put at risk in a major project, are the relevant controls judged to be good enough to justify increasing the sum of money at stake to gain a greater advantage?

    II.   Are there circumstances that do not create a risk but offer positive opportunities, for example a drop in the costs of goods or services which frees up resources to be re-deployed.

8   Risk appetite

Risk appetite is the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.[1]

A clearly understood and articulated risk appetite statement supports the Council in being risk aware and improves its decision making in pursuit of its objectives. Spelthorne's risk appetite statement is an integral part of the Council's Risk Management Policy. It ensures that the opportunities that the Council is willing to take to achieve its strategic objectives are understood in terms of their likely positive benefits and potential costs and that they are assessed in a consistent fashion. This means that they will be within the Council's capacity to accept and manage risk and will not expose Spelthorne to unknown, unmanaged and/or unmanageable or unacceptable risks.

This risk appetite statement will be reviewed annually and approved by the Cabinet at the start of each municipal year. The approved statement is included as Appendix 1 to this Policy. The Council may decide to move its appetite up or down based on a number of influencing factors including financial and its capacity to deal with the unexpected. It may have a higher aspirational risk appetite once sufficient assurance has been gained and processes are in place to manage higher levels of risk.

Risk management is about being risk aware. Risk is ever present in everything that we do and some risk taking is inevitable if the Council is to achieve its objectives. Risk management is about making the most of opportunities when they arise and achieving objectives once those decisions have been made. By being risk aware, the Council is better placed to avoid unforeseen problems and take advantage of opportunities that arise.

Spelthorne Borough Council's risk appetite 2020

During the course of the year, the Council will take fair, measured and targeted risks to achieve the objectives included in the Corporate Strategy. There will be opportunities for us to be innovative or work differently and any identified risks will need to be considered against the anticipated cost and benefits. The Risk Appetite Statement supports members and officers in decision making by setting out where the Council is comfortable taking different levels of risk and which levels of risk are unacceptable. Unacceptable risks should either not be taken or should be managed so that they fall within the risk appetite. Risk that fall under the risk appetite line may still happen and should still be managed effectively and transparently. The risk appetite should be considered in conjunction with the risk section of all committee reports when decisions are made.

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[1] HM Treasury and British Standard on Risk Management BS31100 2008

9.   Risk registers

Risk registers are reference documents that summarise the different risks that might occur and impact the Council. Just because a risk is included on the risk register does not mean that the Council thinks it will happen, but it does mean that the Council thinks that it is worth seeking to manage. The risk score is, therefore, based on a reasonable worst-case scenario. The way in which Spelthorne scores risks is included in section 6 above.

Spelthorne Council maintains several risk registers:

		Managed by
Corporate risk register	Records the most significant risks for the Council or those risks which may prevent the Council from achieving its strategic objectives as set out in the Council Strategy	Internal audit coordinate on behalf of Management Team
Operational risk register	Includes risks that might affect the delivery of individual services, but would not in isolation threaten the Council's overall objectives. Operation risks are manged by service managers	Service managers
Project risk register	Provides a register of the risks that, if they occur, would have a positive or negative effect on the achievement of the project's objectives	Project managers/boards

Risk registers are maintained in Excel. A template can be found as Appendix 2 and on the Council's XXX site at [insert hyperlink]

10.   Monitoring and reporting risks

Risk management must be embedded into decision making, business planning and performance management arrangements so that it is central to the way in which the Council works. It contributes to the concepts of "no surprises which will be useful should the unexpected happen. The framework of monitoring and reporting is linked to the Council's performance management system

Risk assurance

Risk assurance is the provision of evidence that risk controls are in place as planned and operating as expected to manage risks.

The purpose of monitoring and reporting on risks is to provide assurance to those who are accountable but not directly involved in an activity that:

- Risks are being properly managed through planned controls
- The Council is unlikely to be surprised by a risk emerging
- Opportunities will be identified early enough to take advantage of them.

Against every control, or group of common controls, and every planned action, or group of common actions, there should be a source of assurance. In other words, some evidence that will prove that that control and/or action are in place and working as they should. Assurance can take many forms. Tangible assurance would consist of a written report, a signature on a check list, some form of physical evidence that a check has been carried out. Intangible assurance could be verbal assurance from a junior to a senior member of staff. Positive assurance means that we know the checks have happened because of some piece of evidence; negative assurance means that we believe the checks

have happened because there have not been any problems (a more common example is that we hope something is operating as it should because we have not received any complaints).

The **Corporate Risk Management Group (CRMG)** meets quarterly. Its remit includes:

- Review of the Corporate Risk Register (CRR)
- Emergency Planning update
- Business Continuity update
- Service Planning update
- Monitoring and review of Insurance claims and trends
- Climate Change (Sustainability) update
- Service Specific Risk presentation
- Review of accidents and incidents to include information on accidents reportable to the HSE and accident investigations reported by managers, significant trends and advice
- reports on completion of risk assessments and maintenance of risk registers
- reports on any recommendations or development of best practice, legislative and any regulatory changes

Its full terms of reference is included as appendix 3.

The CRMG provides a monitoring and consistency check; it is not there to do risk management and it relies on assurance provided by staff who contribute to the Group. It relies on input from all staff to identify risks, especially unmanaged or poorly managed ones, and raise these with management.

The Corporate Management Team has responsibility for ensuring appropriate procedures are put in place to identify and monitor risk and to ensure that staff resources are appropriately allocated to mitigate risks. Management Team, through the Corporate Risk Register, ensures that Cabinet is aware of the key corporate risks facing the Council.

The **Audit Committee** receives regular monitoring reports that provide assurance that the risks identified on the Corporate Risk Register are being adequately managed. The Committee may decide to receive in-depth reports or take deep dives into the most significant risks on the Register, or those that are causing concern.

If a risk that is not included on the Corporate Risk Register is scored above the risk tolerance line set out in the Risk Appetite Statement, full details should be presented to both the CRMG and Management Team for further consideration and approval of appropriate action as necessary. This may include escalation to the Corporate Risk Register

All Council committee reports include a paragraph titled "Wider Implications". The purpose of this paragraph is to demonstrate that the risks associated with the content of the report have been properly identified, assessed and evaluated. The paragraph should provide as much detail as possible for the most significant risks, especially in relation to the underlying causes of the risk and its subsequent consequences (see section 4). The impact score should be clearly set out, using the impact scoring methodology set out in section 6 to support decision making.

11.   Timetable

Risk management is an integral part of corporate governance and it is particularly closely linked with performance management. The indicative timetable for risk, therefore, follows that of the performance management framework.

When?	Who?	What?
Summer	Cabinet	• Approval of the updated Risk Policy for the coming year • Approval of the Risk Appetite for the coming year • Approval of the Corporate Risk Register
	Overview and Scrutiny Committee	• Note the Risk Policy and its role in monitoring and managing risks
	Audit Committee	• Review the Corporate Risk Register • Agree the risks for future in-depth reporting and assurance
	CRMG	• From terms of reference
	Management Team	• Review, three times a year, of the Corporate Risk Register
Autumn	Audit Committee	• Review the Corporate Risk Register and receive monitoring reports giving details of progress made against actions to treat risks • Quarterly review of the Corporate Risk Register
	Management Team	• Quarterly review of the Corporate Risk Register
	CRMG	• From terms of reference
Winter	Audit Committee	• Receive update report for Corporate Risk Register
	Management Team	• Quarterly review of the Corporate Risk Register • Budget and Service Plan risks considered
	CRMG	• From terms of reference
Spring	Audit Committee	• Receive update report for Corporate Risk Register
	Management Team	• Quarterly review of the Corporate Risk Register • Budget and Service Plan risks finalised and included in the appropriate risk registers
	CRMG	• From terms of reference
Throughout the year	All staff	• Identify and report new, emerging and changing risks

12   Risk management roles and responsibilities

The three lines of defence concept is widely known and used by insurers, auditors and the banking sector as a risk governance framework. The concept can be used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective risk management, governance and assurance. The following diagram shows how the three lines work together.
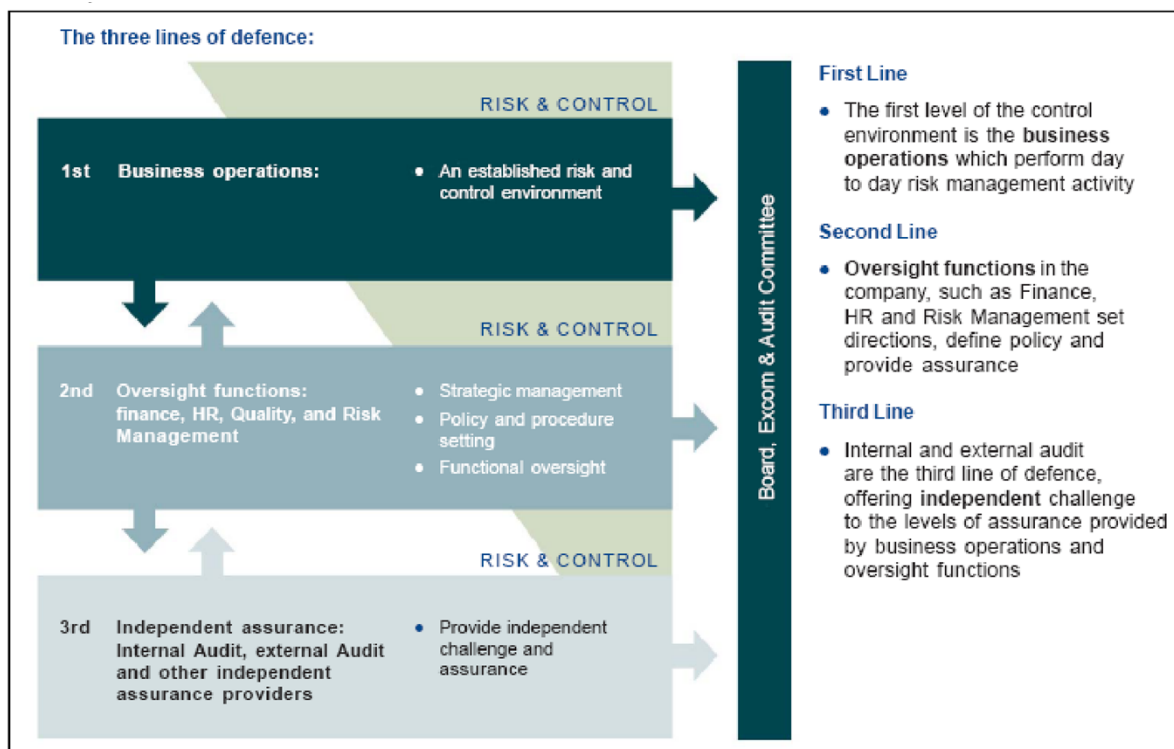
First line of defence

As the first line of defence, service managers own and manage risks within their service areas. They are also responsible for implementing appropriate corrective action to address, process and control weaknesses. Team leaders are also responsible for maintaining effective internal controls and managing risks on a day-to-day basis. They identify, assess, control and manage risks ensuring that their services are delivered in accordance with the Council's aims and objectives.

Second line of defence

The second line of defence relates to the strategic direction, policies and procedures provided by the Council's oversight functions (for example, Finance, Legal Services and HR). These teams are responsible for designing policies, setting direction, ensuring compliance and providing assurance.

Two particularly important policies are the Anti-Fraud and Corruption Policy and the Whistleblowing Policy, both of which encourage staff to report concerns which may expose the Council to risk.

Third line of defence

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes[2].

The aim of internal audit's work programme is to provide assurance to management in relation to the business activities, systems or processes under review that the framework of internal control, risk management and governance is appropriate and operating effectively; and that risks to the Council's objectives are identified, assessed and managed to a defined acceptable level. Such risks are identified through senior management liaison and internal audit's own assessment of risk.

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[2] Definition from the Public Sector Internal Audit Standards, CIPFA, 2017

External audit, inspectors and regulators also provide assurance on the management of risk and delivery of objectives.

Specific responsibilities

Who	What
Members	Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic objectives and risks that the Council faces and will be made aware of how these risks are being managed.
Cabinet	With MAT to own the Corporate Risk Register and to review at least three times a year
Overview and Scrutiny Committee	To review project update reports and scrutinise project risk management
Audit Committee	**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** (item d of Committee's remit)
Management Team	With Cabinet to own the Corporate Risk Register and to review at least three times a year. To ensure services appropriately maintain operational risk registers and integrate into Service Plans
Corporate Risk Management Group	To review Corporate Risk Management arrangements and ensure that they are appropriately updated.
Programme/project Management Group	To ensure that all projects have completed risk and issues logs and key risks are highlighted at project initiation stage
Senior managers	Senior managers have responsibility for minimising risk within their teams. They demonstrate their commitment to risk management through: • Being actively involved in identifying and assessing risks • Developing relevant action plans for key risks and establishing relevant performance indicators to measure their performance through the performance management framework • Incorporating the risk management process into business and service planning processes • Monitoring the teams' risks regularly and at least quarterly • Encouraging staff to be open and honest in identifying risks or potential opportunities • Ensuring that the risk management process is part of all major projects and change management initiatives • Monitoring and reviewing action plans regularly to treat risks effectively
Insurance	Facilitate and support the procurement of the Council's insurance and the management of claims.

Who	What
Internal audit	Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It is responsible for undertaking an assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.
All staff	All staff have responsibility for Council risks and must understand their role in the Council's risk management arrangements. Training and support is provided as part of staff induction and there is ongoing training throughout the year. All staff are expected to know how to recognise, assess and evaluate risk, when to accept risk and to recognise that risks can create opportunities for the Council.

Everyone involved in risk management has a responsibility to identify learning from risks and their management.

Corporate risk register

Significant risks have been reviewed by the Management Team and the Corporate Risk Management Group and are included in the Corporate Risk Register which can be found at [insert link].

Appendix 1: Risk Appetite Statement

The Council's appetite for its significant risks included in the Corporate Risk Register is shown in the diagram below and highlighted in bold with the relevant cell shaded.**[Note the below is to be developed further]**

Risk levels and description Key elements	Minimal As little risk as reasonably possible	Cautious Prefer limited delivery options	Open Consider all potential options	Seek Eager to be innovative
Financial VFM	Very limited financial loss if essential (up to £100k or2% of value of the project/activity, whichever is the lower) VFM (focussing on economy) is primary concern	Some limited financial loss (from £100k-£500k or 5% of value of the project/activity, whichever is the lower) Consider benefits and constraints beyond price	Will invest and risk losing (from £500k-£2m or 10% of value of the project/activity, whichever is the lower) for larger potential financial return Value and benefits considered, not just cheapest price	Invest and risk losing (from £2m-£5m or up to 20% of value of the project/activity, whichever is the lower) for best possible return Resources allocated without firm guarantee of return
Objectives	No effect	One objective cannot be delivered OR Some noticeable effect on several objectives	Failure to deliver more than one objective AND impact on others	Cannot deliver most objectives
Exposure to challenge	Be very sure we would win challenges	Limited tolerance for sticking neck out Reasonably sure we would win challenges	Challenge is problematic, but takes the necessary steps to manage and win this. Gain outweighs adverse consequences	Chances of losing challenge are real with significant consequences
Innovation, Quality, Outcomes	Innovations avoided unless essential or commonplace Essential systems or technology development only	Prefer status quo and avoid innovation Limited systems or technology development	Innovation supported New ways of working or using technology explored	Innovation pursued Actively seek new ways of working or using new technology
Reputation	No chance for significant repercussions Avoid exposure to any attention	Little chance of significant repercussions Mitigation in place for undue interest	Will expose to scrutiny and interest Management of reputation through active listening and talking	New ideas tried at the risk of damage to reputation

Appetite	Low	Moderate	High	Significant

Appendix 2: Risk Register Template

Appendix 3: Corporate Risk Management Group Terms of Reference

Terms of Reference for the Risk Management Group (RMG)

The group will be responsible for considering the Council's responsibilities and arrangements for health and safety at work, insurable risks and corporate risk management. This will include the consideration of accidents, incidents, insurance claims and liability, corporate arrangements and controls, with a view to preventing, minimising and managing existing and foreseeable risks at every level within the authority.

The group is a joint management and staff forum that includes staff side representation on health and safety at work matters. Management representation will include representatives from each Service who will have a responsibility to report back to departmental management teams.

Matters to be considered by the group will include:

- Reviewing and maintaining a comprehensive and co-ordinated framework for Health and Safety risk management standards across the organisation, including corporate risk management policy and strategy.
- Reviewing the Corporate Risk Register and making recommendations for changes to Management Team.
- Ensuring relevant legislation is implemented with appropriate procedures in place for all existing and new initiatives in relation to all aspects of risk management.
- Recommending corporate standards on health and safety management to incorporate appropriate guidance from regulations and codes of practice
- Ensuring that all risk assessments and risk registers are reviewed and submitted to the group once a year or when circumstances change.
- Considering reports on trends such as accidents, incidents, insurance claims and recommending any action required
- Recommending any appropriate Health and Safety training required for managers and staff as part of the training programme
- Considering the results of risk assessments, inspections and audits, recommending any action required
- Recommending and reviewing programmes of audits, and inspections
- Commissioning reports on particular topics as appropriate
- Coordinating and communicating information around the organisation
- Formulating and implementing an annual action plan
- Reporting to the Audit Committee on the effectiveness of the authority's risk management arrangements.

To include consideration of the need to report to MAT on issues, policy and procedures and to report in full to MAT and members at least twice each year.

Membership

The group will be made up in two parts, the core group of regular attendees based on service area risk and special areas of interest, and a secondary group of low risk service areas and specialists. Secondary groups will attend when areas directly affecting their service are being discussed and at lease one meeting per year.

Core Group (with particular areas of interest noted)

Risk Champion Deputy Chief Executive (Chair)

Human Resources Manager (training and staff issues)

Head of Asset Management (council's buildings, assets)

Group Head of Commissioning and Transformation

Deputy Group Head of Commissioning and Transformation (Safety Champion)

Group Head of Neighbourhood Services

Deputy Group Head of Neighbourhood Services (Safety Champion)

Group Head of Community Wellbeing

Deputy Group Head of Community Wellbeing (Safety Champion)

Deputy Group Head of Customer Relations (Safety Champion)

Group Head of Regeneration and Growth

Planning Development Management (Safety Champion)

Group Head of Corporate Governance (Safety Champion)

Senior Environmental Health Manager (Safety Champion)

Family Support Manager (Safety Champion)

Building Control Manager (Safety Champion)

Finance Manager (Safety Champion)

Audit Manager (Safety Champion)

Human Resources Manager

Corporate Health, Safety and Insurance Officer (H&S at Work and Insurance)

Unison Health and Safety Officer

Unison Health and Safety from Neighbourhood Services

Staff (Non Union) representative

Other Officers or specialists with relevant interest as required

Meetings

To be held every 4 months (3 times per year with a 2-part agenda covering Corporate Level risks in the first part, followed by Health, Safety and Welfare in the second.

Regular agenda items

To include:

- Review of the Corporate Risk Register (CRR)
- Emergency Planning update
- Business Continuity update
- Service Planning update
- Insurance Update
- Climate Change (Sustainability) update
- Service Specific Risk presentation*
- report from Corporate Health and Safety Officer on accidents and incidents to include information on accidents reportable to the HSE and accident investigations reported by managers, significant trends and advice
- reports on completion of risk assessments and maintenance of risk registers
- reports on any recommendations or development of best practice, legislative and any regulatory changes
- reports on regular required checks (e.g. electrical checks, fire checks)
- input to training programme for Health and Safety Issues
- any items to be referred to MAT or Audit Committee
- review of the annual action plan

Minutes

To go to MAT

Glossary

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Audit Committee

23 July 2020

SPELTHORNE
MEANS BUSINESS

Title	COVID-19 Risk Considerations		
Purpose of the report	To note		
Report Author	Punita Talwar, Internal Audit Manager		
Cabinet Member	Councillor Sati Buttar	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	The Audit Committee notes the COVID-19 Risk Management report and Risk Assessment for COVID-19 at Appendix 1.		
Reason for Recommendation	Not applicable.		

1. **Key issues**

1.1 COVID-19 is an example of an emerging risk that was difficult to foresee and its ultimate impact hard to judge. The challenges it presents globally, nationally and across local communities are unprecedented.

1.2 Spelthorne's positive response efforts in recognising and pursuing issues that need to be addressed through various forms of collaboration is acknowledged, as detailed in the Extraordinary Council Meeting report of 21 May 2020. Recovery and resumption planning continue, as well as scenario planning should we encounter a second outbreak of COVID-19.

1.3 The Internal Audit Manager prepared a discussion paper for the Corporate Management Team in April setting out observations, risk considerations and wider/long term implications. Further input has been received from Managers highlighting risks and mitigation measures. The Corporate Management Team recognise the importance of articulating the Council's risks and opportunities relating to COVID-19 in the form of a documented risk assessment, bringing together many of the areas already identified and discussed. This ensures the most significant risks arising (which may also relate directly to the achievement of the Council's corporate priorities and objectives) can be identified, managed, monitored and reported at key phases of the pandemic crises, supporting organisational resilience. Risks will continue to emerge and evolve into the longer term and positive opportunities sought. This approach also supports the Council's Draft Risk Management Policy (revised March 2020) and Best Practice.

1.4 The Extraordinary Council Meeting report of 21 May 2020 outlines some broad categories of the main risks to the Council associated with COVID-19 and the risk assessment at Appendix 1 further develops these categories,

Version: 2 10/7/2020

also setting out mitigation measures in place to manage those risks, as well as any further actions underway or for perusal. It includes a RAG (Red/Yellow/Green) risk rating/ranking for each category based on an assessment of likelihood (probability) and impact (severity), to ensure risks are prioritised for action and given due focus in accordance with significance and opportunities highlighted. Risks identified for Spelthorne are largely consistent with themes across the sector and beyond in the pandemic environment. The risk assessment prepared by the Surrey Local Resilience Forum has also been considered.

1.5   Consideration should also be given to how extended disruption arising from the pandemic might affect the corporate plan and achievement of corporate priorities, some of which are referred to at paragraph 1.7.

1.6   The most significant risks and opportunities relating to COVID-19 for Spelthorne are set out at 1.7 (a) to 1.7 (e) below.

1.7   **(a) Financial Sustainability and Resilience (Risk Category C - Corporate Priority) -** Delta returns submitted to the government set out income losses and significant additional costs (direct and indirect) incurred during Covid-19. Whilst the second tranche of government funding has been much more favourable for Spelthorne, as for districts and boroughs generally compared to the first tranche, it does not go far enough to meet the funding gap. A third tranche of government funding has been announced in July providing additional financial support. In particular this will provide reimbursement of 71.25 % of loss on fees and charges income, which was a major impact for Spelthorne. Continued modelling and scenario planning of the effects of Covid-19 on the Council's finances continues. The Extraordinary Council Meeting report of 21 May sets out mitigating options to address the 2020-21 Budget gap including use of reserves. Surrey Treasurers are monitoring the tax base and collection fund deficits which present cash flow challenges for all authorities.

(b) Economy (Risk Category M - Corporate Priority) – As part of the COVID-19 emergency response, financial support for businesses has been made available through government schemes and Spelthorne continue to process grants on behalf of central government. The severe economic slowdown and impact for the borough's businesses and residents is being assessed and reviewed, giving regard to different employment sectors and proximity to Heathrow. Recovery actions will be monitored as the environment evolves. The Council's support will need to be targeted where it is most needed and where the impact will be greatest, especially as nationally there is an expectation that redundancies may well increase as the furlough scheme comes to an end. The economic situation is also already accelerating demands on a range of Council Services, which is likely to continue.

(c) Insufficient Capacity/Health and Wellbeing (Risk Category E & B) - Corporate capacity remains severely stretched especially as the authority still faces Government requests for extra work and some aspects of COVID-19 work will continue for considerable time. Where staff have been redeployed to deliver essential services or are required to reprioritise work tasks to focus on essential activities in supporting the COVID–19 response this has resulted in a backlog of routine work and could lead to post-epidemic delays in service

provision. Service Managers are highlighting and quantifying backlog work areas to assist the recovery phase.

Overstretched capacity is also likely to have a negative impact on staff health and wellbeing (physical and mental) with the potential for fatigue and burnout. This may be further exacerbated by the pandemic experience and economic situation, for example if family members of staff encounter job losses this may enhance stress levels and requires ongoing monitoring by the Corporate Management Team. Staff and local communities continue to be regularly informed about support mechanisms in place at this difficult time.

(d) Lessons Learnt and Seeking Opportunities (Risk and Opportunity Categories Aii & D) –

A "Lessons Learnt" exercise from review of the emergency response, actions and decisions taken first time around will put the authority in good stead should we encounter a second outbreak of the virus (national or local outbreak).

Positive lessons from extended remote working are being assessed and examined in moving to a "new normal" and future changes to methods of working/delivering services post COVID-19.

Extended remote working has also had a positive impact on the environment with reduced air pollution levels arising from less travel and traffic (road/air/rail). In particular, the restricted flight activity at Heathrow has had a positive environmental impact. This could be regarded as an opportunity to help accelerate the Council's work in addressing government targets for reducing carbon emissions, striving for a greener more sustainable environment.

A "Lessons Learnt" and seeking opportunities exercise will be undertaken in due course and feed into recovery.

(e) Security (Risk Category G) - Cyber and security threats are inevitably heightened in the current environment as cyber criminals and professional fraudsters take advantage of opportunities, increasing risks of Council systems being compromised and data loss. Management have assured that protocols and practices are operating to defend against various forms of social engineering such as phishing and regular system updates provide resilience to cyber-attacks. Monthly video training is mandatory for all staff on cyber threats/attacks and the ICT team have recently carried out a phishing campaign across the organisation to identify vulnerabilities.

2.   Options analysis and proposal

2.1   To note and accept the contents of the COVID-19 Risk Assessment including any risk mitigating actions underway or for perusal. The Risk Assessment at Appendix 1 is considered to be an accurate reflection of the relevant risk categories affecting the Authority during these unprecedented times and beyond, as well as mitigation measures, based on our assessment of risk and controls in operation. (Preferred option)

Or:

2.2   To recommend amendments to the COVID-19 Risk Assessment for consideration by the Corporate Risk Management Group.

3.   Financial implications

3.1   Resources required (staff time) to implement actions proposed in the COVID-19 Risk Assessment should be contained within existing budgets as far as possible. There may however be areas where additional resource /time/management support is required in order to implement risk mitigating actions. This will need to be highlighted by the assigned accountable or lead officer in liaison with Accountancy when considering the impact of COVID-19 on Service budgets/Corporate spend.

4.   Other considerations

4.1   The attached COVID-19 Risk Assessment covers key corporate risks and opportunities (a total of fourteen broad risk categories), some of these relating directly to achievement of corporate priorities and objectives. The most significant risk categories to highlight as part of this review include Financial Sustainability and Resilience, Economic impact and recovery, Insufficient Capacity, Health and Wellbeing and Cyber/ Security Threats. The Lessons Learnt and seeking opportunities exercise will highlight any positive experiences or practices that may be beneficial in the immediate, medium and longer term.

4.2   The Risk Assessment gives due consideration to Equality and Diversity implications and any actions arising will continue to be monitored through the risk management process and other action plans.

4.3   As the COVID-19 Risk Assessment continues to be developed and refined, it may include accountable and lead officers responsible for progressing actions, together with target timescales for implementation and an indication of whether the action is open or closed. Ongoing responsibility for coordination and monitoring of this risk assessment going forward can be established.

5.   Sustainability/Climate Change Implications

5.1   The Risk Assessment gives due consideration to Sustainability and Climate Change implications and any actions arising will continue to be monitored through the risk management process and other action plans.

6.   Timetable for implementation

6.1   The Risk Assessment will continue to be reviewed and updated periodically, to align with key phases of the virus pandemic and beyond.

Background papers: There are none
Appendices: COVID-19 Risk Assessment (Appendix 1)

APPENDIX 1 - COVID-19 - Risk Assessment

Key categories of risks which continue to emerge and evolve are set out below. The likelihood and impact columns have been populated. Please refer to the bottom of this document for the 'Risk Matrix' and plotting of these particular risks to determine relative significance and prioritisation.

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
A. (i) Business continuity and Operational Resilience <mark>Yellow Risk</mark> Risk – Unable to deliver critical, essential or non-essential Council Services, resulting in diminished provision to community/stakeholders	2	3	Business Continuity Plans invoked. V-BEC (Virtual Borough Emergency Centre) forum with daily briefings for first 110 days of the emergency. Collaboration across Services and with the Local Resilience forum. Majority of staff continue to work from home (except for some key frontline workers where this is not possible) in accordance with government guidance to reduce the risk of virus spread and relieve pressures on the NHS, whilst ensuring continuous delivery of Services. Different ways of working are in place with skype calls and remote/virtual meetings, also used for some Committee meetings with Members. IT helpdesk provision/equipment and kit reviewed. Higher risk employees identified at the outset (instructed to work from home in the first instance (17 March) in accordance with government guidance. As part of the draft COVID-19 Recovery Policy arrangements are being put in place for medium term for significant proportion of staff to continue	Scope for Business Continuity Plans to be further reviewed and updated in due course. Group Heads and Managers requested to review operational resilience and resourcing in addressing demand arising from COVID-19. Council is using alternative technological options for virtual meetings and a staff survey has been undertaken to identify IT equipment needs to promote further efficiencies. There is a residual risk associated with some frontline operational areas (such as Neighbourhood Services) where remote working is not possible in delivering essential services to the public. Links to separate risk category on Health and Safety.

			to work from home. Additional ICT kit and furniture being purchased.	
			Pandemic forecasting and modelling to assist planning.	Undertaken at national and local level under the Local Resilience Forum.
A.(ii) Business continuity and Operational Resilience <mark>Yellow Risk</mark> Risk – Inadequate or delayed preparation for recovery phase and resumption planning, impacting on Service delivery	2	3	Recovery planning has been considered with an acknowledgement of entering into 'a new normal' rather than reverting to how things were operating prior to the pandemic. The Root and Branch team have consulted Managers across all Services on arrangements in planning for recovery. There are increasing demands in some Service areas, as well as changes to how Services are used by communities/delivered and this is likely to be ongoing. A phased approach for the Council's recovery is envisaged- draft Internal Recovery Policy has been produced. Measures will continue to be applied to promote health, safety and wellbeing of staff, residents, local communities and businesses during the recovery phase. New ways of working will also be captured as part of recovery to ensure benefits and opportunities continue to be realised.	Planning for some form of new normality as lockdown is relaxed remains challenging due to ongoing uncertainty, potential for further virus outbreak and review of timescales. Continuing to fully develop detailed plans for the recovery process for services, as well as support for businesses and residents. Corporate response will be agreed. Staff consultation is underway with surveys issued. Councillors have also been consulted Re-engagement with residents, businesses and stakeholders as part of recovery phase to review longer term impact. A "Lessons Learnt" and seeking opportunities exercise in due course as proposed by Applied Resilience.
B. Health and Wellbeing/Safety <mark>Yellow Risk</mark>	(i, ii iii, iv) 3	(i,ii,iii,iv)3	See above – significant level of remote working continues across many areas. Staff requested to complete remote working assessment. Business travel minimised. Council has legal responsibility	A residual risk remains as the possibility of virus transmission cannot be eliminated.

(i)Risk – Staff, contractors and community are at increased risk of being infected by Covid-19 possibly leading to long term sickness absence, poor physical and mental health or even fatalities, impacting on resource availability and Service provision. (ii)There are associated reputational risks if Council staff were found not to be complying with health and safety guidance leading to increased infection rates across the community, or alternatively if Spelthorne staff are not being adequately protected when undertaking high risk activities (potential for claims against the Council) (iii)Risk: Second wave and/or local outbreak of the virus arises as a result of inadequate mitigation measures (iv)Risk: Pandemic experience presents ongoing physical, mental and emotional health impact on			to protect staff, Councillors, residents etc. Covid-19 testing is available where staff and Councillors show symptoms/ Household risk identified and guidance has been circulated. Where staff are required or expected to come into work/carry out visits to sites, residential properties or Community Centres, Health and Safety guidance is in place and communicated. This adheres to national guidance from 'Public Health England'. Guidelines are also in place for contractors such as at development sites. This covers for example requirements across key categories relating to social distancing, hygiene, hand sanitisers for staff use, Personal Protective Equipment (PPE) for staff involved in high risk activities. For example, Meals on Wheels and SPAN alarms now dropped to clients via doorstep deliveries to ensure the safety of clients and staff. Staff training and awareness raising for Health and Safety arrangements communicated via documented guidance. Proposed future layout for Council and satellite Offices reviewed to take account of social distancing rules. Environmental Health have undertaken a significant number of inspections and compliance checks on business premises. Health and safety measures are being reviewed as businesses reopen with easing of lockdown restrictions (in accordance with evolving government guidance). This has included the	Shortage of PPE is recognised as a global challenge so remains an ongoing risk, although the situation is slowly improving. Monitoring availability through the Local Resilience Forum and exploring alternative suppliers for longer term provision. Return to Work document and Health and Safety Risk Assessments are underway for three key areas taking into account best practice (Council Offices, Visits and Depot, Community Centres and other frontline services). Spelthorne's Health and Safety guidance will continue be reviewed to reflect any developments to national guidance. Contact track and tracing system to support protection measures and Environmental Health to provide a key role. Resourcing for this process to be confirmed. The Government's track and trace programme has the potential to isolate large numbers of the depot operational workforce. Operating in bubbles/groups is underway to minimise loss of whole crew.

staff, volunteers and residents			provision of advice and information on social distancing measures to help prevent the spread of COVID-19. Enforcement action is taken if required. Staff are regularly reminded about mental health support as part of employee wellbeing. Hardship fund available to assist employees where eligible. Sickness monitoring by HR including Covid-19 infections to determine level of staff affected.	
C.Financial Sustainability and Resilience **Red Risk** (i)Risk - Significant financial cost implication on the Council associated with increased spend on Covid -19 related activities / operations; uncertainty over reimbursement of funding from central government (including indirect costs such as reduced business rates); income losses across several services; significant impact on net budget; insufficient cash resources and cash flow challenges; reduced level of income due to vulnerable revenue sources;	4	3	Accountancy liaising with Services over financial monitoring (income and expenditure implications, and business rates and council tax collection). Debt recovery processes are being impacted with court action temporarily suspended. All expenditure relating to Covid-19 should be coded to a defined area with supporting documentation retained to assist funding reimbursement claims (this has been communicated). Financial impact assessment modelling is undertaken regularly (including worst, mid-range and best case assumptions). Monthly returns being made to MHCLG Longer term modelling to assess next 12 months depending on stock market and pensions impact. Worked with other Districts & Boroughs to collate financial data on the impact of Covid-19	Following lobbying and other work-streams such as Delta reporting, the second tranche of Government grants have been released. Whilst this has been much more favourable for Spelthorne, as for districts and boroughs generally compared to the first tranche, it does not go far enough to meet the funding gap. A third tranche of financial support announced on 3rd July. In particular this will provide reimbursement of 71.25% of loss on fees and charges income, which was a major impact for Spelthorne. Continued modelling of the effects of Covid-19 on the Council's finances. Separate sinking funds set aside. 10 year scenario modelling of worst

reduced level of investment returns (ii)Risk: Recovery is adversely impacted because local agencies (public and voluntary/communities) do not have access to sufficient funding to respond to additional demand / invest in recovery / lose organisational capacity because of shortfalls in income streams (iii)Risk:Significant negative impact on local residents if Services are unable to meet need because of financial constraints			and lobbying has taken place for additional financial assistance from central government as well as perusal of recharges from County. Professional Institutes offer advice across the sector. Scale of impact of re-opening leisure centres has been highlighted to government. Sinking funds already set aside for commercial investments as a prudent measure. Continued weekly monitoring of commercial asset income due/any shortfalls anticipated. A 93.5% collection rate for quarter 1 of 2020/21 has been reported in the current environment, with the remainder being deferred via payment plans. 87% has already been received for quarter 2 of 2020/21. A weekly review of rent deferments is undertaken as appropriate. Liquidity and cash flow forecasting and monitoring/treasury management to assist planning for increased levels of expenditure and monitoring of market activity. Cash reserves policy. Report to 21 May 2020 Extraordinary Council Meeting setting out mitigating options to address 2020-21 Budget gap including use of reserves. Council approval to use up to £2.2m of reserves if required to offset impacts on services income and expenditure. As a result of the additional support announced on 3rd July it is hoped that the above will be more than sufficient. Tax base and collection fund impacts will impact on 2021-22 Budgets.	case COVID-19 scenarios undertaken Delta returns submitted include details of loss of income and additional costs incurred during Covid-19. Surrey Treasurers liaising on weekly basis to share information. Monitoring of business rates and council tax collection levels- currently Spelthorne are fairing better than some other authorities. Deferral by a year of Fair Funding Review and Business Rates 75% retention will help. Surrey Treasurers monitoring tax base and collection fund deficits

D. Remote Working/ Performance Management/ Sustainability and Climate Change (i)Risk – reduced visibility and oversight of output/ outcomes potentially leading to lower productivity. (ii)Opportunity- On the contrary, there may be opportunities for increased productivity and efficiencies to be built upon from this new way of working. (iii) Opportunity - In addition, opportunities for environmental improvements (such as better air quality) have become more achievable arising from reduced traffic (road/rail/air) as people continue to work remotely, thereby positively contributing to sustainability measures	(i)2 (ii)3 (iii)3	(i)3 (ii)3 (iii) 3	MAT have encouraged Managers to consider approaches to managing staff in the remote working environment with minimal face-to-face contact. Regular communication should be in place and time recording has been encouraged so there is visibility of tasks being undertaken, particularly given that there is ongoing uncertainty over the duration of this epidemic. Managers are able to performance manage regardless of whether work is undertaken in the office or remotely as the emphasis should be on outputs rather than where the Service is delivered from.	Positive lessons from extended remote working are being assessed and examined in moving to a new normal and future changes to methods of working post COVID-19. The Council will look to identify and apply positives, around new ways of working, as part of the "new normal". Corporate Lead to build into action plans and promote benefits to staff. Environmental and sustainable measures will be further analysed as part of seeking opportunities, to include scope for the Council representing "Green Jobs" as an employer going forward.
E. Insufficient Capacity <mark style="background-color:red">**Red Risk**</mark>	4	3	Capacity analysis and skills assessment undertaken. Staff in 'non-essential' services continue to be redeployed (where feasible) to	Corporate capacity remains severely stretched especially as still facing Government requests for extra work and some aspects of COVID-19 work

			support areas where there is increased service demand. Surplus capacity is however becoming stretched with service needs. Staff redeployment policy. Training and risk assessments for redeployed staff. Staff are encouraged to take breaks and annual leave to provide a work/life balance.	will continue for considerable time. Service Managers to highlight and quantify backlog work areas to assist recovery phase. Initial decision that only urgent/priority business can reasonably be accommodated at planned council meetings for the first few months.(Regulatory reporting to be taken into account)
(i)Risk - Increased demand on some frontline Services such as Customer Services (Council Tax/ Business Rates) / Independent Living / Housing / Benefits (ii)Risk: Essential Services are overwhelmed when they return to the "new normal" (iii)Risk: Increased staff fatigue/burnout/ sickness levels arising from additional workload, new demands and overstretched capacity; where family members of staff encounter job losses or redundancies this may impact further on employee stress levels and wellbeing				
F. Insufficient service capacity to deal with potentially increased levels of fatalities in the community arising from Covid-19 infections. <mark>Yellow Risk</mark>	2	3	Group Head Neighbourhood Services is monitoring levels of demand for burials/cremations in the current environment as part of the 'Excess Death cell' operation. (Current numbers scheduled to take place in Spelthorne are less than anticipated)	No specific action identified.
G. Technological <mark>Yellow Risk</mark> (i)Risk - Disruption in off-site data storages or capacity	(i)2	(i)3	ICT are closely monitoring systems. They quickly managed to get people working from home and the network has performed well and been maintained for VDI use.	ICT maintain a monitoring function to ensure the system is functioning.

			Regular reports on capacity and usage have been produced to demonstrate not only capacity but peak times of demand.	Security vulnerabilities identified from the Phishing exercise are being addressed.
impacting on service delivery e.g. ability to provide Customers and stakeholders with ongoing technical service is reduced				
(ii) Risk - Cyber and security threats heightened in the current environment resulting in Council systems being compromised and data loss	(ii) 3	(iii) 3	Customers are receiving the same level of service but are undertaking their engagement via the web or telephone. For the web further e-forms have been and are being developed to make it easier for the customer to engage with the Council. All updates and fixes that come through are added to the system to maintain resilience to cyber-attacks. Monthly training is issued to staff on various cyber threats/attacks and have recently carried out a phishing campaign across the organisation to identify vulnerabilities. Advice has been distributed on the use of other systems for live chats etc. to prevent insecure platforms being used. The use of any external systems still has to come through Spelthorne's systems and the security measures in place identify "unsafe" sites.	
H. Legal or Regulatory Compliance <mark>Yellow Risk</mark> Risk - Non-compliance with GDPR possibly leading to data security breaches and reputational damage arising from the following changes:	3	3	Information Governance offer advice across Services in response to COVID-19. There is acknowledgement from the Regulator - Information Commission Officer (ICO) that organisations may find it difficult to adhere to usual data protection compliance standards as resources are diverted.	Awareness Raising continues The Data Protection Officer (DPO) has been involved in data sharing requirements under COVID-19 to help ensure compliance and practical delivery.

(i)Increased sharing of personal data between services and with partner organisations (ii)Systems set up quickly may mean less robust systems and processes (iii) Collecting and processing new types of sensitive information about individuals (iv) Increased Remote working (v)Phishing and cyber-attacks heightened (see earlier section on 'Technological risk')				
I. Suppliers and Contractors /3rd Party Relationships Yellow and Green Risk (i)Risk: Disruptions in Supply Chain Management e.g. delays in provision of goods/service due to reduced staff complement/ furloughed staff/distribution issues. Companies may no longer be in a position to trade and unable to recover from the crises. (ii)Risk: Possible claims from Contractors due to delays to	(i)3 (ii)2	(i)3 (ii) 2	Contract and Supplier management to identify any obstacles in delivery of goods/services. Contract agreements and invoking of relevant clauses if appropriate. Do the Council's suppliers / service providers have appropriate resilience plans for delivering critical business? Are these being monitored? Procurement Policy Note (PPN) sets out information and guidance for public bodies on supporting suppliers through the Pandemic, with associated actions. This is to ensure service continuity and contract delivery during and after the lockdown. Government schemes to assist businesses stay afloat such as Business Support grants;	Continue to review any necessary actions to be taken to support the Council's Suppliers. Extensive discussions being undertaken with the Council's leisure centres' operator

work programme caused by COVID-19. (iii)Risk: There may be exceptions to the Council's procurement regulations as greater flexibility to procure supplies may be deemed necessary in order to deliver new operations and meet urgent demands. Whilst increased flexibility is useful as part of the pandemic response, it also presents additional risks associated with fraud and error (see separate section) and achieving value for money.	(iii)3	(iii)2	Furlough. Discretionary grants scheme launched to help small and micro businesses To ensure business continuity of operations, contractors for large scale development and maintenance work have been encouraged to proceed with work programmes, applying safety and social distancing measures in accordance with government guidance. Where exceptions to the Council's procurement regulations are deemed necessary in order to deliver urgent operations arising from COVID-19, existing exemption procedures and documented approvals (Contract Standing Orders) are required.	
J. Fraud / Error / Theft **Yellow Risk** (i)Risk - Covid-19 represents yet another opportunity for scammers and professional fraudsters. They may also target vulnerable members of the community. (ii)Risk - Increased level of expenditure (including significant payments) is being incurred as a result of new operations or enhanced service demands, which	(i)3 (ii)3	(i)2 (iii)3	Communications alerting staff and residents of potential scams and heightened risk of fraud. Detailed assurance guidance available for administration of the Government Grant Funding Schemes, such as the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund; Local Authority Discretionary Grants Fund. Management have assured that counter fraud checks are applied at different stages of the grant process, working in partnership with the dedicated agency (Department for Business, Energy and Industrial Strategy - BEIS). Defined eligibility criteria and transparency of decision making is incorporated into processes. Post payment, the Government Grants Management	Continuous monitoring as new risks and processes emerge. Counter fraud measures are considered as part of setting up new processes. Internal Audit advice as appropriate. Verification of controls operating as part of assurance work will be undertaken. Assurance reporting to the Government on the administration of Business support grants.

			Function and Counter Fraud Function will support local authorities to carry out post-event assurance work to identify high risk payments. This process will be communicated further. Compensating controls as a minimum where normal expected controls cannot be reasonably applied. Financial reconciliation processes set up / developed as appropriate for new systems.	
provides increased opportunities for error or fraud, with associated financial losses and reputational damage (iii)Risk - Staff and customers may be facing increased financial hardship, leading to an increased risk of fraudulent activities and a reduced staff complement may weaken the control environment	(iii)3	(iii)2		
K. Reputation **Yellow Risk** (i)Risk - An absence of timely and accurate communication to stakeholders may result in a lack of awareness / mis-information/ loss of confidence (ii)Risk: People are not accessing the Services they require which may result in unknown surges and longer term implications (iii)Risk - Adverse public opinion/media intervention may cause negative publicity with associated reputational impact.	(i)2 (ii)2 (iii)3	(i)3 (ii)3 (iii)3	Communications strategy. Various communication channels used to convey messages and engage with all stakeholders including social media. Regular, timely and accurate communications to key stakeholders including employees, Councillors and the general public (as well as targeting certain groups such as local businesses and vulnerable residents). The team have launched the Council's Shop Smart, Shop Local campaign, with a press release and social media graphics conveying key messages. Weekly staff meetings, V-BEC, Spelnet, Councillor briefings (verbal and written), Business E-newsletter, newsletters, press releases etc.	No specific action identified.

L. Decision making **Yellow Risk** (i)Risk - Business decisions and actions do not effectively prioritise the needs of different stakeholders, thereby failing to meet needs (economic / financial / social / health etc.) This will influence the measure of success after the crises. (ii)Risk – Decisions and plans don't support the overall common goal.	(i)2 (ii)2	(ii)3 (iii)3	Key stakeholders identified including : • Employees and union • Councillors • Residents • Vulnerable persons/groups • Local Businesses and business representative groups Community hub (support 4 Spelthorne) set up from April 2020 to end of June 2020 (thereafter food will be distributed if required from day centres) specifically to assess the needs of the most vulnerable members of the local community. Parcels delivered to shielded residents in the Borough (high-risk shielded group category A) include food, toiletries, information and advice. (Central government responsibility taken on by local authorities). Multi-agency collaboration in delivering the hub. Extensive data analysis exercise undertaken to identify category B vulnerable residents. Local government (SBC) taking a leading role in supporting local businesses, for example through administering the business support grant scheme and Local Authority Discretionary Grants, working with businesses to understand their needs and promote various initiatives. (See separate risk category and associated actions for Economic impact)	An extensive data analysis exercise has ensured that the Council has taken reasonable and proportionate measures in identifying a significant number of residents who fall under the category B vulnerable group. There is however a residual risk arising from not being able to identify all of the category B vulnerable residents. Following announcement of relaxed lockdown measures, support to shielding groups will continue through working with other voluntary agencies.

			Some residents experiencing financial hardship – new Council Tax Relief Scheme implemented.	
M. Economy **Red Risk** Risk: Economic recession forecast to be the worst in 300 years with detrimental impact locally, nationally and globally; long period of economic recovery; rising unemployment levels due to anticipated redundancies as the furlough scheme comes to an end, increasing demands on a range of Council Services (eg noise and neighbourhood complaints, anti- social behaviour and community safety; waste and recycling collection levels); significant economic impact on local area due to proximity to Heathrow airport with aviation industry being severely affected	4	4	The economic slowdown and impact of COVID-19 for the borough is being reviewed and reported. Business rates retention fund is available to help deliver necessary actions arising from this review. Financial support for businesses has been made available through government schemes (Business Rates Phase 1 – small business grants fund(SBGF), the Retail, Hospitality and Leisure Business Grants Fund (RHLGF) and the business rate holidays; Business Rate Phase 2 – the Local Authority Discretionary Grants Fund; Furlough and self –employment schemes)	"Britain's Economy will shrink by 10% this year" (source International Monetary Fund, 24 June 2020) The significant economic impact of COVID-19 for the borough and any necessary actions arising will continue to be monitored over the short, medium and longer term. Survey undertaken of key major businesses in the borough (with particular focus on the aviation sector) to better understand the impact of COVID-19 in respect to their operations. This will supplement work that the Economic Development team has already undertaken to understand the wider impacts on different employment sectors. All of this will feed into a report on the impacts of COVID-19 for businesses and residents who work in the borough. The report will also include a recovery action plan, setting out where the Council can intervene (some externalities will have to be accepted). Actions will include quick wins and longer term actions.

				Council working with EM3 and Heathrow to address structural issues Broader internal recovery task group to focus on health and well being knock on impacts of economic downturn. At Local Resilience Forum Level there is reconsideration of the impacts of Brexit, adverse weather conditions and COVID-19 for Winter 2020 in terms of our economy and operations.
N. Political <mark>Yellow Risk</mark> (i)Risk –Unclear political steer and strategic direction in the current environment may impact the effectiveness of decision making Risk –Decisions may not align with Council priorities and responsibilities	(i)2 (ii)2	(ii)3 (ii)3	Regular and timely communications with Councillors on the authority's COVID-19 response effort. Extraordinary Council Meeting held 21 May 2020 to provide effective oversight of the Council's emergency response to COVID-19. The Council continues to support the Community and businesses in delivering Services.	Due to corporate capacity being stretched, a decision has been taken that only urgent/priority business can reasonably be accommodated at planned council meetings for the next few months. This will take into account regulatory reporting requirements.

Evaluating risks and Risk Matrix (Draft Risk Management Policy)

The Council evaluates its risks on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. Risks are evaluated with their controls in place. Risks are plotted on a risk matrix (see below) and prompt action is taken on those risks that fall into the red zone. Action is considered for "yellow" risks while "green" risks are regarded as acceptable. The above risks associated with Covid-19 (reference A to N) have been plotted on the graph below.

Impact		1 (Rare)	2 (Unlikely)	3 (Likely)	4 (Almost certain)
	4 (Catastrophic)				M
	3 (Major)		A D(i) F Gi K(i,ii) L N	B D (ii & iii) Gii H I(i) J(ii) K(iii)	C E
	2 (Medium)		I (ii)	I(iii) J(i,iii)	
	1 (Trivial)				

Likelihood

Coordinated by Punita Talwar
Internal Audit Manager, June 2020

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Audit Committee

23 July 2020

SPELTHORNE
MEANS BUSINESS

Title	Corporate Risk Management		
Purpose of the report	To note		
Report Author	Punita Talwar, Internal Audit Manager		
Cabinet Member	Councillor S. Buttar	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	**The Audit Committee notes the Corporate Risk Management report and Register at Appendix 1.**		
Reason for Recommendation	**Not applicable**		

1.   **Key issues**

1.1   An external trainer provided risk management training to Members of the Audit Committee in October 2019. This initiated some useful discussion and further to this, the Deputy Chief Executive and Internal Audit Manager have worked with the external trainer (Elizabeth Humphrey) in progressing the development of corporate risk management at Spelthorne. As part of this work changes have been proposed to the Corporate Risk Register with the aim of making it a more concise document, focussing on factors and influences that present uncertainty in the Council achieving its corporate objectives and ensuring alignment with the corporate priorities. The effect of this uncertainty on objectives could be either a risk or an opportunity, and these should be managed in accordance with the revised risk management policy.

1.2   A draft version of the refreshed Risk Management Policy is also reported to the Audit Committee for initial review and comment. This gives reference to linkages with other corporate processes such as service planning and performance management.

1.3   In progressing the revised approach for the corporate risk register, a mock risk category has been prepared focused on one priority objective relating to housing delivery, with input from relevant Officers. The new proposed format builds upon previous work, giving greater emphasis to causes and consequences of risks and the RAG (Red, Amber, and Green) scoring approach is intended to prioritise risks for action based on likelihood and impact. Risks that fall in the red zone will always be included in the new

Corporate Risk Register as representing the most significant risks. Risk scoring will also give consideration to the Council's risk appetite in due course. Implementation of the risk action plan is intended to move the risk scoring in a positive direction over time and therefore consideration will need to be given to the robustness of actions proposed if they are to have a significant effect on risk mitigation and successful achievement of corporate objectives. The mock risk (attached at Appendix 2) has been shared with the Audit Committee in January for consideration of the new format and there will be an opportunity for further discussion around the desired approach at the meeting.

1.4   The Corporate Risk Register will continue to ensure that the Council's most significant risks (i.e. those relating directly to the achievement of corporate priorities and objectives) are identified, managed, monitored and reported. A maximum of 10 corporate risks will be included on the register in line with best practice. Where risks do not make it on the corporate risk register, they will need to be monitored and managed and this is referred to in the policy. Discussions will continue to take place to ensure effective processes are established and maintained to avoid losing sight of less significant risks.

1.5   As the risk register is evolving and will be subject to further discussion with Members, as part of the current review, we have reverted to the previously established format and much of the former content has been removed to enable Management Team and Members to focus on key corporate risks (eight risk categories) relating to achievement of corporate priorities and objectives. The corporate priorities are currently under review and well advanced, representing an evolution of existing priorities. The attached Register at Appendix 1 refers to the corporate priority areas as follows:

Housing

Clean, Safe and Sustainable Environment

Financial Sustainability

Economic Development

1.6   Taking appropriate action on risk is of course an essential part of effective risk management. Therefore accountability for risk actions continues to be assigned to named officers (where known) to promote ownership with reference to the Portfolio Holder in each case to facilitate oversight. Reference to a 'Lead Officer' has also been introduced as this is often a different person to the accountable officer.

1.7   The attached version of the register at Appendix 1 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 and it is being shared with the Corporate Risk Management Group.

1.8   The most significant risks to be highlighted at this review for consideration by Management Team and Audit Committee are set out at 1.8 (a) to 1.8 (f) below:

(a)   **Housing Delivery (Housing) (1) -** The mock risk category shared with Audit Committee in January focused on the corporate objective relating to housing delivery (referred to at paragraph 1.3 above) and several risk mitigating actions are underway or for perusal. Housing and Homelessness strategies have been developed for 2020 to 2025 and monitoring mechanisms are in place to review implementation of strategic action plans.

(b)   **Income Generation/Property (Financial Resilience) (4)** – Delivery of a new Property Management System is underway to manage Spelthorne's expanding property portfolio and significant rental income. Subject to finalising the accounting procedures and robust testing, it is anticipated that the system will 'go live' for rent collection and the payment of invoices for the residential portfolio on 1st April, with the software used for billing tenants on the municipal and investment properties by end of June. Additional financial resource has been appointed to support the Assets team with system implementation.

(c)   **(Financial Resilience) (4)** Application of CIPFA'S new Financial Management Code is being pursued with the aim of improving financial resilience across the Council. Training has been delivered to key officers during February and a self-assessment document has been initiated by the Deputy Chief Executive. Responsibility for adherence to the Code rests with the Management Team, Group Heads and Managers - as well as finance professionals.

(d)   **Potential Heathrow Expansion – (Clean, Safe and Sustainable Environment/Economic Development) (7)** - This risk category gives 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).

(e)   **Political Landscape/Economic Uncertainty – (All Corporate Priorities) (6) -** Planning and preparation for Brexit prevails in the context of the transitional arrangements with the EU. Spelthorne will continue to work with the Local Resilience Forum to monitor the implications of a trade deal or 'no deal' scenario once known.

(f)   **Climate Change (Clean, Safe and Sustainable Environment) (8)** – This refers to climate change implications, setting out the sustainability measures Spelthorne is taking to demonstrate social and ethical responsibility in response to this significant global threat. A cross party working group has been set up on Climate Change and as part of this a Climate Action Plan is being developed. Surrey County Council is developing a Climate Change Strategy and Strategic Framework across

Surrey authorities to address carbon emissions for eight major sectors. The Biodiversity Action plan is progressing and due for implementation in 2020.

1.9   Several new risk mitigating actions underway or for perusal have been recorded on the risk register (see 'Actions' column), relating to risk categories 1 (Housing Delivery), 4 (Income Generation from Property – Financial Resilience), 6 (Political Landscape /Economic Uncertainty and 8 (Sustainable Environment - Climate Change)**.**

2.   Options analysis and proposal

2.1   To note and accept the contents of the Corporate Risk Register including any new risk categories and risk mitigating actions underway or for perusal. The revised register at Appendix 1 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. This will need to be highlighted by the assigned accountable or lead officer as appropriate.

4.   Other considerations

4.1   The attached Corporate Risk Register covers key corporate risks and opportunities (eight risk categories) relating to achievement of corporate priorities and objectives. The most significant risk categories to highlight as part of this review include Housing Delivery, financial resilience - income generation (Property), Heathrow expansion, political landscape/economic uncertainty and environmental sustainability (climate change). Management Team may therefore need to assess if these risk areas are being adequately managed or require further resource/time and support.

5.   Timetable for implementation

5.1   The Corporate Risk Register shows accountable and lead 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 - current review (Appendix 1)
Mock Risk Category and Proposed New Format for register (Appendix 2)

APPENDIX 1

<div align="center">

CORPORATE RISK REGISTER

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

Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)   **Content reviewed March 2020**

PREV IOUS RAG	CUR RENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK	CURRENT CONTROLS (RISK MITIGATION)	ACTIONS	RISK OWNERSHIP (ACCOUNTABILITY)	LEAD OFFICER	TARGET DATE	PROGRESS /REASONS WHERE RISK ACTIONS NOT IMPLEMENTED
		1. Housing Lack of affordable housing (to rent) increases homelessness • Housing provision does not meet local resident needs (A full list of causes and consequences of this risk have been carefully considered and separately reported as part of current development work aimed at enhancing Corporate Risk Management) **(Corporate Priority- Housing - Delivering Housing that meets local needs)**	• 2	3	3	Local Plan; Local Development scheme; Annual monitoring reports outline number of affordable dwellings granted; Housing Delivery test resulted in production of Housing Delivery Action Plan; Housing Delivery Programme; Knowle Green Estates - business plan approved by Cabinet; Housing Strategy 2020 – 2025; Homelessness Strategy 2020 – 2025 (Subject to approval) ; Action plans arising from the Housing and Homelessness strategy encompass defined priorities for Housing ; Quarterly monitoring of strategic action plans by designated Officers, reporting red and amber actions to the Strategic Housing Group ;Strategic Housing Group meets monthly with clearly defined Terms of Reference (monitoring mechanism);Close working with Partners to support achievement of Housing aims ;Progress of property development projects reported weekly to Development and Improvement Group (DIG); Financial monitoring and management; Embedding of legislative requirements of the Homelessness Reduction Act 2017; Collaborative arrangements in place to support proactive and reactive counter fraud work, with quarterly reporting of fraud returns generated (cost savings/future losses prevented).	*1i. Member approval of the Housing Strategy (incorporates action plan) covering the period 2020 – 2025 1ii. Approval of the Homelessness Strategy (incorporates action plan) covering the period 2020 – 2025 1iii. Set up a homelessness strategy working group to support achievement of aims 1iv. Establish and approve clearly defined Terms of Reference for the Homelessness Strategy working group to support achievement of aims 1v.Service Level Agreement to be put in place with registered providers to take forward cases of alleged tenancy fraud. 1vi. Preparation and adoption of New Local Plan to meet future need and strengthen affordable housing policy*	MAT Member & Joint Group Heads CW * **Cllr Attewell**	HSPM/ SPM *	1i. April 2020 1ii. May 2020 1iii. August 2020 1iv. December 2020 1v. June 2020 1vi. March 2022	Date New Actions Added: Progress monitoring will take place at the next review of the Corporate Risk Register in June 2020. RAG Rating recorded as blue aas complete set of new actions identified and added
		2. Economy/ Funding Technological and other factors may create uncertainty over economic growth and supplier failure, which could impact on: • Delivery of contracts and service provision • Business Rate income collected/retained , thereby affecting the Council's overall finances. **(Corporate Priority areas- Economic Development & Financial Sustinability)**	2	3	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners. Enhanced Monitoring arrangements implemented as key suppliers now added to the S&P Watch list . Aim to maximise Business Rate collection/minimise losses for the Council. Additional quarterly monitoring of collection and projected outturn retention implemented. Additional counter fraud resource is available to identify and investigate potential tax avoidance and evasion cases, which can be translated into cashable savings for the authority.	*2. Impact of Business Rate arrangements on Council finances is under ongoing review.*	DCX (TC) * **Cllr Harman**	Deputy Group Head CR *	Completed/ Ongoing Monitoring	**2. Implemented and ongoing.** Officers have confirmed there are no further updates to report.
		3. Economic Development Absence of a robust Economic Development Strategy or ineffective plans to deliver, thereby impacting on levels of growth and development of the borough (including local employment , inward investments) with consequential effects on prosperity and ecomomic wellbeing . **(Corporate Priority area- Economic Development)**	2	3	3	Regular reporting to Members. A 5 year economic assessment & development strategy for 2017 - 2022. Periodical review and refreshing of the Economic Development 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. Support to local businesses through key account management. Supporting the development of the Staines-upon-Thames Business Improvement District. Review of Local Plan. Regeneration Masterplan for Staines- Upon-Thames.Prioritisation of projects to benefit from the business rates retention has been completed.	*3i. Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review. 3ii. 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.*	EDM*Cllr **Barnard**	EDM*	Completed/ Ongoing Monitoring	3i. Opportunities for economic development are sought to promote rejuvenation and wider benefits across the borough (various examples such as new Leisure centre and Knowle Green Estates developments). 3ii. The latest refresh of the economic strategy was reported to the Economic Development Engagement Group on 20 February. This is the final refresh before a replacement strategy and economic assessment is prepared for 2022 onwards.
		4. Financial Resilience - Income Generation(Property) 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	3	4	4	Long term strategic/financial plan. Member engagement. The Councilis applying innovative ways to fund services and create new revenue streams through signicant commecail asset acquisitions and investments.Ongoing annual net incomehas enabled a balanced budget for 2019-20 and to make reveneue contributionstowards capital to put capital programmeon a more sustainable basis. Prudential Indicators approved by Council in December 2017. Advice is sought from Arlingclose as necessary. Due diligence in respect of acquisitions and leases addresses strength of covenant of tenants, using S&P to evaluate financial strength. A robust governance framework supports property acquisitions including Property Investment Strategy; Development and Investment groupto monitor performance; use of KPI's to assess total risk exposure; Treasury Management strategy approved by Council;weekly monitoring by MAT.	*4i. A robust governance framework continues to be developed to support property acquisitions and investment processes.*	GH R & G* **Cllr Harman**	GH R&G DCX(TC)	4i. Completed /Ongoing Monitoring	**4i. Implemented/ Ongoing .** Performance is monitored regularly at weekly Development and Investment Group (DIG) and a quarterly performance report is produced for the Investment Portfolio. Meetings are scheduled for the newly established Property and Investment Committee (PIC). In addition, it will set out a suite of Key Performance Indicators against which the Portfolio will be evaluated. Council has approved Capital Strategy for 2020-21 which includes a set of Key Performance Indicators- these will be reported on as part of outturn reports. Sinking Funds combined balance on track to be approximately £18m as at end of March 2020, equivalent to covering 22 months of the net revenue surplus from the Council's commercial portfolio. Refreshed Asset Management Plan going to March Cabinet. Internal Audit completed audit on Commercial Assets acquisitions and investments. Officers had a very positive workshop session with Chartered Institute of Public Finance and Accountancy on the CIPFA new FInancial Management Code (which

PREV IOUS RAG	CUR RENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK	CURRENT CONTROLS (RISK MITIGATION)	ACTIONS	RISK OWNERSHIP (ACCOUNTAB ILITY)	LEAD OFFICER	TARGET DATE	PROGRESS /REASONS WHERE RISK ACTIONS NOT IMPLEMENTED
		increase exposure to financial risk including loss of anticipated rental income and poor investment returns, with associated reputational damage. **(Corporate Priority area- Financial Sustinability)**									Accountancy on the CIPFA New Financial Management Code (which will be subject of a report at a future Audit Committee) on the Council's approach to financial resilience and long term scenario planning. The Council has a balanced budget for the next three financial years.
		Risk Category 4 Continued (See above)				<u>Further control measures relating to risk category 4 (Property Acquisitions)</u> Governance Framework (Continued) : Formalised reporting of KPI's once the new Property Management System is operational; Council approved at its February 2020 meeting the Capital Strategy. Commercial asset acquisitions and investments will be subject to periodical audit review. Monitoring arrangements relating to property development work arising from asset acquisitions. Due Diligence measures for tenant management: the Council has subscribed to Standard & Poor's credit rating database and set up watch lists for its tenants to alert it to any deterioration in the health of its tenants. Where there is any deterioration the potential impact of this is reviewed by the internal team. Sensitivity analysis is undertaken with respect to variables such as rental growth.	*4ii. 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. 4iii. Effective implementation of Property Management Software 4iv. Application of CIPFA'S new Financial Management Code aimed at improving financial resilience across Councils (responsibility of whole organisation) *N*	4ii & iii GH R & G* **Cllr Harman** 4iv. DCX/MAT/ ALL GROUP HEADS * Cllr Harman	GH R&G DCX(TC)	4.ii & 4iii. 30 April 2020 *R Requires monitoring 4iv. NEW ACTION ADDED FEB 2020 (Target - 31 March 2021) * O	4ii & iii. **Progress underway**- Work is underway to deliver a new Property Management System to effectively manage Spelthorne's £1 billion property portfolio (investment, community, commercial and residential properties).The property and tenancy data for the investment and residential portfolio has been uploaded on the new system. Subject to finalising the accounting procedures and robust testing it is anticipated that the System will 'go live' for rent collection and the payment of invoices for the residential portfolio on 1st April. The data load for the municipal portfolio is completed in part. The timeframe to 'go live' for both rent collection and invoicing is dependent on agreeing financial procedures and the system set-up. It is anticipated that the software will be used for billing tenants on the municipal and investment properties by end of June 2020. 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. Cushman & Wakefield reported that 97.5% of the rent was collected within 7 days of the December quarter day, with only £4,500 outstanding at current date.
		5. Treasury Management If the Council receives a poor return on long term investments and/or investments become insecure in the current/future climate, then this will have an adverse impact on the Council's financial position. **(Corporate Priority Area - Financial Sustainability)**	2	3	3	Treasury Management Strategy approved annually by Members. Approved Capital Strategy (see risk category 4). Reporting of Treasury Management performance to Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely and apply criteria recommended by Arlingclose. Council's investments managed internally in consultation with Arlingclose. The team continues to explore options for diversifying the portfolio. Fixed interest rate on most debt and for investments an interest equalisation reserve is in place. Roles and responsibilities assigned within Accountancy. A review of the Accountancy structure took place in August 2019 and additional growth/resource approved which should also assist in further enhancing the control environment. Periodical Internal Audit Review.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.Training delivered for new Financial Managment Code. Council commissioned an options paper from Arlingclose on financing being considered in the context of the recent uplift by 100 basis points in Public Works Loan Board (PWLB).	*There are no actions to report (February 2020).*	DCX (TC) * **Cllr Harman**	CA/DCA *	N/A	Overview and Scrutiny have received half yearly treasury monitoring reports which confirm medium term investments are performing well at an average rate for 12 months to end of September 2019 of 4.75%. Treasury Management Strategy and Capital Strategy approved by Council in February 2020.Officers continue to work closely with the Council's Treasury Management advisers who are advancing proposals to bring forward alternatives to PWLB loan finance (note in recent weeks PWLB rates have fallen back roughly 50 basis points).
		6. Economic Uncertainty/Political Lanscape Brexit and transitional arrangements represent many potential uncertainties of a financial,economic, recruitment, regulatory and supply chain management nature arising from currency devaluation/volatility, trade barriers and tariffs, investments, relocation of Partners/Suppliers, changing access to EU funds, level of compliance with EU regulations , workers rights. **ALL PRIORITIES**	3	3	3	The Group Head for Commissioning and Transformation is the Corporate lead for Brexit. Previously participated in regular County wide Brexit Planning meetings and briefed MAT, Group Heads and Members and will participate once more when such meetings are resurrected. Briefing note presented to Audit Committee in March 2019 and Cabinet in Autumn 2019. A weekly report on preparedness for Brexit was undertaken by the Local resilience Forum for much of 2019 and fed through to Central Government. Weekly tactical and fortnightly strategic teleconferences with the Local Resilience Forum to ensure contingencies were undertaken occurred in 2019. Such meetings may be put in place again once know the likely outcome of trade negotiations. Services were addressing potential implications including staffing, environmental health and data protection. Guidance for Councils on Brexit secondary legislation has been circulated to Managers and relevant transitional information as well.	*6i. Management Team to regularly consider potential Brexit uncertainties for Spelthorne and have a plan in place to address when the implications of a trade deal or no deal become evident. Spelthorne will continue to work with the Local Resilience Forum on the implications when known. (REVISED ACTION FEBRUARY 2020) 6ii. Monitoring of transitional arrangements and implications for the Council in line with the Local Resilience Forum. (NEW ACTION - MARCH 2020) *N*	GH C & T (Lead) **All Portfolio Holders**	GH C & T (Lead)	6i December 2020 O * 6ii. December 2020 O* Requires monitoring	6i. Previously participated in regular County wide Brexit Planning meetings and briefed MAT, Group Heads and Members. This will continue when such meetings are resurrected. (The action at 6i has been revised given the UK has now entered into a transition period with the EU which lasts until 31 December 2020. A new trading relationship between the UK and EU is due to be agreed by the end of the transition period, but if no agreement is achieved a 'no deal' scenario will apply). 6ii. NEW ACTION ADDED General - Recommendations arising from an internal audit review of Brexit Readiness have been/are being addressed .

PREVIOUS RAG	CURRENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK	CURRENT CONTROLS (RISK MITIGATION)	ACTIONS	RISK OWNERSHIP (ACCOUNTABILITY)	LEAD OFFICER	TARGET DATE	PROGRESS /REASONS WHERE RISK ACTIONS NOT IMPLEMENTED
		7. Heathrow expansion Whilst this offers economic benefits and opportunities, it also has the potential to significantly impact the borough/its residents on a wide number of fronts (e.g. increased noise, poorer air quality, roads being brought closer to properties, loss of green belt and open space - loss of 4.5% of borough, ongoing construction sites, increased traffic leading to greater congestion and pollution levels, indiscriminate parking etc.) **(Ec Dev; Clean,safe and sustainable environment)**	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. (Airport Expansion Consultation of summer 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.	*Actions added October 2019.* *(i) Bi-lateral meetings with Heathrow (where beneficial to do so) to ensure the requirements are met (ii) To continue to work as part of Heathrow Strategic Planning Group to ensure that Spelthorne's views are represented at a wider strategic level (iii) Work in preparation for the Development Consent Order (statement of common ground and areas/issues for challenge)*	GH R & G* Cllr **Boughtflower**	GH R & G*	On-going * R Requires Monitoring	7i , 7ii & 7 iii. The outcome of the Court of Appeal is now known but this may be subject to further appeal to the Supreme Court. The Council will continue with ongoing work related to the airport.
		8. Climate Change 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 **(CLEAN, SAFE AND SUSTAINABLE ENVIRONMENT)**	3	4	4	Consideration of Government targets for reducing carbon emissions/greenhouse gases to tackle climate change. A Leader's Climate change Working Group has been set up and will explore ways to meet a carbon neutral target by 2050 or earlier if possible. Officers are working in the spirit of ethical and social responsibility to address climate change concerns, reducing the Council's carbon footprint and meeting Government targets. Sustainability Strategy Energy & Water Efficiency policy (2015 - 2020) Active members of Surrey Energy & Sustainability Partnership (SESP) and Association of Lead Energy Offiers (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 EV charging provision.	*Actions 8i to 8iii added October 2019 :* *8i. The Sustainability Strategy and the Energy & Water Efficiency Policy are being reviewed. 8ii.A new Sustainability Strategy is to be developed in 2020. 8iii. A new Biodiversity Action Plan is being developed for 2020. 8iv. A Climate Change strategy is to be developed for 2020 . (NEW ACTION ADDED FEBRUARY 2020) *N*	GH C&T GH NR Cllr I Harvey	SO - MR	August 2020 * R Requires Monitoring	8i & 8ii - There are no progress updates to report on these actions. 8iii. The Biodiversity Action plan is progressing and due for implementation in 2020. **General Progress Underway** - A cross party working group has been set up on Climate Change. A Climate Action Plan is being developed as part of the Climate Change Working Group. 8iv. NEW ACTION ADDED. Surrey County Council are developing a Climate Change Strategy and Strategic Framework (which will set out the joint ambition across the 12 authorities to address carbon emissions for eight major sectors.

Actions Overdue & Outstanding	Partially Actioned	Completed/Ongoing Monitoring

Note that previous RAG ratings are included to illustrate the Direction of Travel for recommended actions. The future format for the Corporate Risk Register is currently under review.

*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

Interim Head of Corporate Governance -IHCG, Karen Limmer

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

HSPM - Housing Strategy and Policy Manager , David Birley

SPM - Stratgic Planning Manager, Ann Biggs

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CORPORATE RISK REGISTER (PROPOSED NEW FORMAT)

January 2020

SPELTHORNE BOROUGH COUNCIL STAINES –UPON – THAMES

Evaluating risks and Risk Matrix

The Council evaluates its risks on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. Risks are evaluated with their controls in place. Risks are plotted on a risk matrix (see below) and prompt action is taken on those risks that fall into the red zone. Action is considered for "yellow" risks while "green" risks are regarded as acceptable. The mock risk example (Risk Reference 1- Housing) has been plotted on the graph below.

Impact	4 (Catastrophic)	Yellow	Red	Red	Red
	3 (Major)	Green	1 (Yellow)	Yellow	Red
	2 (Medium)	Green	Green	Yellow	Yellow
	1 (Trivial)	Green	Green	Green	Green
		1 (Rare)	2 (Unlikely)	3 (Likely)	4 (Almost certain)
		Likelihood (over 4 years)			

CORPORATE RISK REGISTER – SPELTHORNE BOROUGH COUNCIL - EXAMPLE OF RISK (PART 1)	
RISK REFERENCE	1
RISK TITLE	Housing : - Lack of affordable housing increases homelessness - Housing provision does not meet local resident needs
CORPORATE PRIORITY CORPORATE OBJECTIVE (AIM)	*Delivering Housing that meets local needs* To deliver housing with a wide range of tenure options to meet the needs of our residents locally, reducing homelessness, increasing affordable provision and helping to meet the overall need for additional homes in the Borough. (This encompasses the three strategic priorities for Housing)
CAUSES OF RISK	- Limited availability of suitable development land due to constraints such as designated greenbelt , flood risk, biodiversity within the borough - Affordability of accommodation (purchase/own) within Spelthorne remains challenging - Growing demand for affordable housing due to national and local demographic factors (such as growing/ageing population, high number of lone parent families within the borough), this being linked to promotion of independent living - Economic factors (planned Heathrow expansion will increase shorter term impacts from construction workers who require local accommodation for the term of the expansion (up to 2050)) - Proximity to London with some use of Spelthorne properties by London Boroughs - Lack of developments coming forward from Partners (registered providers) and heavy reliance on main provider - National government policy (welfare reform, financial austerity) - Housing has been reported as a significant fraud risk area nationally for Local Councils (National Fraud Initiative/CIPFA) .This includes tenancy fraud such as illegal subletting of social housing, application fraud (homelessness and housing register) and right to buy fraud.
CONSEQUENCES OF RISK	- Limited supply of existing and new build affordable properties - Unable to deliver housing need - Increasing numbers on the housing register - High rates of statutory homelessness (since 2014/15 Spelthorne's rates per 1,000 household have exceeded regional and national averages) - High use of emergency and temporary accommodation for homeless households which may become longer term placements, with increased costs - Increased demands on Service provision (Housing) may increase potential for legal challenge resulting in potential awards against the Council and reputation damage

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	• If fundamental Housing needs are not met/maintained this may have a negative impact on the health and wellbeing of individuals/families affected, resulting in demand on other parts of the Council's and public sector's funds • Difficulties in recruiting and retaining key workers to support the delivery of vital public services • Housing fraud results in significant financial losses and reputation damage, reducing the level of public services available. (Spelthorne's fraud returns detected are referred to under Controls section) Fraudulent activity extends applicant waiting times on the Housing Register, increases temporary accommodation costs, and diverts social housing away from those who are in genuine need. The Annual fraud Indicator 2017 (National Fraud Initiative) highlights that housing tenancy fraud alone costs local government £1.83 million.
CURRENT CONTROLS	• Local Plan • Local Development scheme – sets timetable for delivery of Local Plan • Annual monitoring reports outline number of affordable dwellings granted • Housing Delivery test resulted in production of Housing Delivery Action Plan • Housing Delivery Programme; Knowle Green Estates (KGE) set up for the purpose of developing new affordable homes for rent and delivering a proportion of Spelthorne's Housing needs • KGE - business plan • Housing Strategy 2020 – 2025 • Homelessness Strategy 2020 – 2025 (Subject to approval) • Action plans arising from the Housing and Homelessness strategies encompass defined priorities for Housing • Quarterly monitoring of strategic action plans by designated Officers, reporting red and amber actions (requiring attention) to the Strategic Housing Group • Strategic Housing Group meets monthly with clearly defined Terms of Reference (monitoring mechanism) • Close working with Partners to support achievement of Housing aims • Progress of property development projects reported weekly to Development and Improvement Group (DIG) (monitoring mechanism) • Financial monitoring and management (significant costs arising from property development work) • Embedding of legislative requirements and associated processes, such as the 2018 Homelessness Reduction Act • Counter fraud awareness training delivered across teams for high risk public fraud. • Collaborative arrangements in place to support proactive and reactive counter fraud work, with quarterly reporting of fraud returns generated (cost savings/future losses prevented). Since 2015 Spelthorne's

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	cumulative returns for Housing fraud detected exceed £1.1m. Achievements include reduced Housing Register through removal of false applications from waiting lists, some reduction in temporary accommodation costs and where social housing properties are recovered these can be reallocated to those in genuine need.
OWNERS	MAT member assigned or relevant Group Head
LIKELIHOOD OF RISK (1-4)	2 (Unlikely)
IMPACT OF RISK (1-4)	3 (Major)
RESIDUAL/CURRENT RISK SCORE	Yellow Risk (Defined as "Action to be considered" in accordance with the proposed Risk Management Policy) Please refer to the top of this document to see the 'Risk Matrix' and plotting of this particular risk
(RAG-rated to indicate if risk score is inside or outside the risk appetite)	RAG RATING will need to follow once the Councils risk appetite statement has been determined/agreed
CROSS REFERENCE	(SEE SEPARATE RISK ACION PLAN (PART 2) BELOW RELATING TO THIS RISK CATEGORY)

CORPORATE RISK REGISTER – SPELTHORNE BOROUGH COUNCIL
RISK ACTION PLAN – (PART 2)

Risk Reference & Title	Actions (SMART)	Date Action Added	Lead Officer	Timeline for Delivery (Month and year)	Status (Implemented or Outstanding)
1.Housing	1.Member approval of the Housing Strategy (incorporates action plan) covering the period 2020 – 2025	January 2020	Housing Strategy and Policy Manager (David Birley)	April 2020	All actions will be reviewed at the next review of the CRR (applies to all actions)
	2. Approval of the Homelessness Strategy (incorporates action plan) covering the period 2020 – 2025.	January 2020	Housing Strategy and Policy Manager (David Birley)	May 2020	

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	3.Following action 2 above, set up a homelessness strategy working group to support achievement of aims	January 2020	Housing Strategy and Policy Manager (David Birley)	August 2020	
	4. Establish and approve clearly defined Terms of Reference for the Homelessness Strategy working group to support achievement of aims	January 2020	Housing Strategy and Policy Manager (David Birley)	December 2020	
	5. Service Level Agreement to be put in place with registered providers to take forward cases of alleged tenancy fraud.	January 2020	Housing Strategy and Policy Manager (David Birley)	June 2020	

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	6. Preparation and adoption of New Local Plan to meet future need and strengthen affordable housing policy	January 2020	Strategic Planning Manager (Ann Biggs)	March 2022	

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Audit Committee

23 July 2020

Title	Annual Internal Audit Report 2019/20
Purpose of the report	To note
Report Author	Punita Talwar, Internal Audit Manager
Cabinet Member	Councillor Sati Buttar **Confidential** No
Corporate Priority	Financial Sustainability
Recommendations	The Audit Committee notes the Annual Internal Audit Report for 2019/20.
Reason for Recommendation	Not Applicable

1.   Key issues

1.1   Internal Audit is defined as "An *independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*."   (Public Sector Internal Audit Standards)

1.2   Internal Audit findings form the basis of the annual audit opinion on the adequacy of the authority's internal control environment, risk management and governance arrangements. The opinion supports the Annual Governance Statement, considered by External Audit and others. This report therefore summarises Internal Audit findings and sets out the independent audit opinion of the Internal Audit Manager for the 2019/20 period, who under Public Sector Internal Audit Standards (PSIAS) represents the Chief Audit Executive at Spelthorne.

1.3   Appendix 1 summarises Internal Audit reviews carried out in 2019/20, highlighting assurance opinions where appropriate. Due to the additional pressures arising from the COVID-19 pandemic across the authority, finalisation of some reports remains ongoing. Audit reports include recommendations aimed at reducing risks and strengthening internal controls. Progress on implementation of audit recommendations together with the direction of travel is provided where appropriate and in other areas confirmation of recommendations agreed for implementation by Management has been recorded. Further monitoring of status will be undertaken in

2020/0714PT

October to coincide with issue of the next progress report (Interim Audit report) to Management Team and Audit Committee.

1.4   In addition to planned assurance reviews, details of other work undertaken (including corporate tasks) 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, corporate groups and Management Team on various risk and control issues. This includes during the COVID-19 Emergency response effort and as the authority continues to move into the recovery phase

(b)   Coordination and reporting of counter fraud outcomes/initiatives

(c)   Investigating suspected fraud and irregularities or providing support to these processes, highlighting any lessons learnt

(d)   Supporting corporate governance arrangements

(e)   Corporate Risk Management – Audit provides advice to Management Team, Corporate Risk Management Group (CRMG) and co-ordinates the Council's Corporate Risk Register representing the Council's most significant risks

1.5   The Internal Audit function has operated at 1.75 FTE during 2019/20. In addition the ongoing requirement for some Contractor Audit resource to support delivery of planned assignments and specialist areas prevails and Spelthorne procure Auditor days as required within budget.

Annual Audit Opinion

1.6   The Internal Audit Managers opinion on the Council's control environment for 2019/20 (prepared June 2020) is as follows:

The Internal Audit Managers opinion for 2019/20 is that the Council's Internal control environment and systems of internal control in the areas audited were generally adequate, with the exception of the areas where improvements were recommended to address medium to high risks. The following is considered to represent the key themes and issues arising from Internal Audit's work and any planned action to address has been included for completeness (planned actions updated at June 2020):

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

Key themes and issues arising from Internal Audit's work 2019/20

Issues Identified/Risk Implications	Planned Action
1.Rent Management System (Bed and Breakfast Accommodation) It is acknowledged that a number of factors may contribute to the level of Bed and Breakfast debt such as inefficient systems (Access database); statutory limitations; the nature of the service in terms of increasing fluidity and movements of Bed and Breakfast clients who often become difficult to trace. Documented reporting of Bed and Breakfast debts (including overall debt) could be improved. Absence of a clear documented policy for recovery of Bed and Breakfast debt. Poor system integrity due to increased risk of error, duplication of data, irreconcilable systems (Access and Integra) and inefficient processes, leading to a significant level of aged debts and financial losses. Project set up to address and move forward the operational issues with some developments. However, resourcing, skillset, overall ownership and accountability, and lack of clarity on what is needed were acknowledged as areas requiring attention to accelerate project success.	See agreed audit recommendations and positive status updates received from Management set out at Appendix 1 to this report. Summarised actions underway include: -Improved analysis, monitoring, visibility and reporting of Bed and Breakfast debt (current and ongoing) to the Corporate Debt Group, including identification of cases for write off *(Actioned)* - Review of the Bed and Breakfast debt recovery policy/procedure ensuring reference within the overarching Corporate Debt Policy. *(Actioned)* -Bed and Breakfast debts should only be processed and managed through the use of the Council's key financial system to ensure greater accuracy in terms of amounts owed. *(Project to implement a new Rent Accounting and Debt Management system solely through the Council's main financial system, Integra, is close to completion)* -Group Heads (Community Wellbeing and Commissioning and Transformation) have jointly agreed the future direction of the project and pursued actions to enhance project governance (including a clearly defined Business Case). *(Actioned)* -A Root and Branch review to streamline the implementation of the finance aspect of the Rent Management (Bed and Breakfast) project will be pursued in due course dependant on other factors.
2.Commercial Asset Acquisitions and Investments; Property Development Procurement process for appointing Professional Advisors – whilst exemptions to Contract Standing Orders have been formally reported and approved by Cabinet, there is a lack of documented explanation for	See agreed audit recommendations set out at Appendix 1 to this report, also referred to below. Future reports on acquisitions (commercial assets and for development and regeneration purposes and on development schemes) will set out in more detail the rationale/management explanation for setting aside contract standing orders, where this is required. This will ensure there is greater transparency and will provide

seeking exemption to waive Contract Standing Orders (CSO'S). This may increase risk of challenge.	evidence which Cabinet can expressly refer to in their consideration of the matter(s). Committee Services will then be able to ensure this is formally minuted as part of the Cabinet decision. *(With immediate effect)*
	A wider procurement exercise is also underway for new construction contracts to further promote transparency and value for money.
Scope to further strengthen the governance process by consistently ensuring clear trails to support key decisions and approvals	The revised arrangements for decision making in respect of Council Property and the role of the Property Investment Committee (PIC) was approved by Cabinet in November 2019. These are intended to streamline the decision making process with respect to assets whilst ensuring that those decisions are clearly documented and transparent. Arrangements will be monitored further as part of a planned review of the Constitution and governance issues.
	For future property acquisitions there will be documented evidence to confirm the required group (Property Investment Committee, PIC) receives recommendations and information from officers with regards to potential new acquisitions for development purposes and also to support approval of the new acquisition opportunity to be referred to Cabinet and/or Council for decision. *(With immediate effect)*
3.Planning (Development Management) and Building Control	See agreed audit recommendations and status updates set out at Appendix 1 to this report, summarised below.
Financial reconciliation processes between the Uniform application system and the Council's main financial system (Integra) regarding fee income received are ineffective. This presents risks that fee income due will not be received correctly and in full and any errors/losses/ discrepancies may not be identified.	Planning and Building Control Fees recorded on the Uniform system should be periodically reconciled against income received in the Councils main financial system, Integra E-Series on a regular basis.
	Reconciliation processes have now been set up with Finance for Planning fees and those are underway *(Actioned)*.
4. General Data Protection Regulations (GDPR) Compliance Overall, a failure to effectively comply with GDPR Regulations is a high-risk compliance issue, possibly	Data protection will continue to be raised regularly at a senior management level (MAT) to encourage engagement with Data Protection matters. A compliance plan was previously submitted to MAT Plus with deadlines but they have not been adhered to.

leading to data security breaches, which could leave the authority exposed to large fines and reputational damage arising from negative publicity. Key activities demonstrating compliance with GDPR have not yet been fully addressed by individual Service Areas. The pop-up cookies banner on the Council's website does not inform visitors of the use of cookies. By clicking on 'hide this message', visitors are essentially accepting all cookies that are being deployed. This is not compliant as consent is not actively sought and does not meet minimum transparency requirements. Whilst GDPR training has been promoted and delivered at various levels, there is scope to strengthen the completion of training logs. Where these are not consistently documented, the council will find it difficult to evidence and demonstrate that staff are trained accordingly. Whilst there is a Privacy Impact Assessment (PIA) Template to determine whether the inherent risks of the processing operation require the need for a Data Protection Impact Assessment (DPIA) to be undertaken, there is no DPIA register to track completion or for evidence purposes. Whilst due diligence for third parties is carried out, there is no defined/documented procedure for this.	See audit recommendations set out at Appendix 1 to this report. Some areas are summarised below. - Managers are ultimately responsible for undertaking data protection activities and this message will continue to be reiterated. It is not considered practical for Data Protection Champions to be appointed within each service to accelerate required tasks. -The Council's website host has been asked to address the Cookie issue as outlined in the audit recommendation *(actions to address include replacement of the 'hide this message' statement with a banner which allows options for opting into non-essential cookies, although, this can remain if consent for non-essential cookies is separately sought)* . - Corporate Management Team have previously supported the need for the Information Asset Register (IAR) exercise to be prioritised by service areas, although progress has been delayed due to COVID-19 presenting extreme challenges on staff time. Once the Information Asset Registers are complete, project plans can be updated with appropriate timelines. The Root and Branch team are completing process maps to assist in ascertaining data flows. -Ideally the Council should create and maintain a record of evidence (for example a central log) showing completion of GDPR training and this should be monitored and reviewed on a regular basis. This can be phased into 3 sections; tailored training to senior management; general data protection training for all staff (online) and tailored training to specific services and specialist areas. (*It is acknowledged that Management have reviewed this area but consider current arrangements to be sufficient).* -A Data Protection Impact Assessment (DPIA) register should be put in place *(acknowledged by Management and this has now commenced).* This will allow the council to review areas that have been given deep privacy consideration, involve key stakeholders in the council and act

	as a source of evidence for complying with wider obligations -As part of third party compliance, a procedure for due diligence will be established to be considered as part of the on-boarding and monitoring processes (including prior to Contractor selection).
5.Policies and Procedures There are a number of out of date policies and procedure manuals, some of which relate to core financial systems. Out of date policies and procedures increase the likelihood of practices being applied inconsistently or inefficiently resulting in processing of financial transactions incorrectly, financial loss, and/or breach of legislation. Other associated risks include lack of clarity regarding roles and responsibilities and division of duties across teams, which may also make it more difficult to demonstrate adequate segregation of duties. This issue was also highlighted during 2018/19.	Management have agreed to address audit recommendations relating to review of procedural guidance as set out at Appendix 1 to this report. Where applicable consideration should also be given to alignment with other policies to promote consistency. Some policy reviews have taken place such as the Corporate Debt Policy which was reported to Management Team in March 2020. There is scope to introduce action tracking of policy and procedural review to serve as a reminder.
6.Corporate Risk Register – Climate Change A new risk category has been included on the Corporate Risk Register (from July 2019) relating to Environmental risk giving reference to climate change implications and setting out the sustainability measures Spelthorne are taking to demonstrate social responsibility in response to this significant global threat.	The Corporate Risk Register gives reference to planned action/developments underway in this area, set out below: A cross party working group will be set up on Climate Change. A Climate Action Plan will be developed as part of this working group. Surrey County Council have adopted a Climate Change Strategy and Strategic Framework (setting out the joint ambition across the 12 authorities to address carbon emissions for eight major sectors). The Sustainability Strategy and the Energy & Water Efficiency Policy are being reviewed. A new Sustainability Strategy is to be developed in 2020.

	A new Biodiversity Action Plan is being developed due for implementation in 2020.

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 cumulative financial returns/savings achieved. From January 2015 to March 2020, notional savings to the public purse exceed £2.6m, of which £492,000 represents quantifiable cashable savings for Spelthorne. Specifically for the 2019/20 period (rounded to the nearest £1,000), the overall savings to the public purse equated to £136k with cashable savings for Spelthorne amounting to £11k.

4.   Other considerations

4.1   There are none.

5.   Sustainability/Climate Change Implications

5.1   There is reference in the report.

6.   Timetable for implementation

6.1   Not applicable, although implementation of audit recommendations will continue to be monitored as part of the follow up process.

Background papers:
Appendices: Appendix 1 – Summary of Internal Audit Work for the year 1 April 2019 – 31 March 2020

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

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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.

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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
1. Rent Management System (Bed and Breakfast) November 2019 (Draft) December 2019 (Final)	**Major Improvement Needed**	Joint Group Heads Community Wellbeing	1. The Housing Options Manager should produce an analysis of Bed and Breakfast debts as a practical tool to be used for : • monitoring and reviewing the ongoing debts; • informing the Corporate Debt Group on the 'actual' debt figure for Bed and Breakfast and if there are any limitations in doing so this should be highlighted; • Establishing the cost effectiveness of chasing longstanding debts which the Authority is unlikely to recover which would assist prompt referral for write off. 2. The revised Corporate Debt Policy should be updated to include the recovery action that should be taken on Bed and Breakfast accounts and the minimum recoverable	1. Agreed to implement. • Monthly Aged Debt reports received from Customer Services and analysis of overall debt and individual client arrears is carried out. This includes both current and former B&B arrears. Figures are presented to the Corporate Debt Group for discussion; • Detailed tracking and monitoring of the rent status of current tenants in B&B and Temporary Accommodation is undertaken on a regular basis by the team and actions agreed, (in particular around the arrears levels); • An exercise to review aged debt levels has been undertaken as part of the Rent Accounting project. A number of write offs or transfers of arrears to the General Fund were agreed based on level of debt and longevity 2. Agreed to implement. The revised Corporate Debt Policy has been updated to include an appendix on B&B Arrears and the recovery process/action that should be taken on Bed and Breakfast	**Some Improvement Needed**

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			amount should be stipulated.	accounts. The minimum recoverable amount has been stipulated. Policy not agreed by Corporate Debt Group as meeting on 10th March did not take place. Next meeting scheduled July and on agenda.	
			3. In line with the revised Corporate Debt Recovery Policy under the section of irrecoverable debts, the Joint Group Heads of Community Wellbeing should prepare a Cabinet report for write offs in excess of £3,000. It would be prudent that any such report takes into account the total write off amount in any financial period.	3. Partially agreed. Agreed. In the future Housing Options will prepare Cabinet reports for single account write offs in excess of £3,000 (when they occur). Not Agreed. Joint Heads Community Wellbeing consider that they have acted in accordance with their authority limits on individual write offs to date.	
			4. The Joint Group Heads of Community Wellbeing together with the Group Head of Commissioning and Transformation should consider eliminating the need to process any form of debt management within	4. Agreed to implement. Project to implement a new Rent Accounting and Debt Management system solely through the Council's main financial system (Integra) is close to completion. Target go live delayed due to COVID but go live date is now targeted at the end of June.	

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			the Housing Options Access database. Bed and Breakfast debts should only be processed and effectively managed through the use of the Council's key financial system (General Ledger / Integra) to ensure that the amount of debt against an individual's account is actually a true reflection of what they owe. 5. The Joint Group Heads of Community Wellbeing and the Group Head of Commissioning and Transformation should establish whether a new system is actually required or whether to wait until Locata have rolled out their Rent Accounting enhancement version to assess if this meets Spelthorne's specified needs. If the Group Heads	The Housing Options Access database will remain available 'read only' for the purposes of reviewing historic information only. 5. Agreed to implement. Following an options review exercise, the recommendation was agreed by the Project Board to continue with the development of the Integra solution, which is what was done (see point 4 above). The Locata Rent Management module will be reviewed when phase 2 development of the software is complete and the module is released (and bedded in) to assess suitability. This is likely to be late 2020 at earliest due to delays.	

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			decide to continue to progress this project, then they should:- • jointly agree ownership whilst giving consideration as to whether the Project Managers role should be undertaken by an officer with financial expertise and / or housing knowledge; • create a Project Initiation Document (PID) that clearly defines roles and responsibilities; and • establish and set out a clearly defined Business Case that identifies the 'user and the business need' as well as outlining the requirements of implementing a new or an improved system that interfaces with the key financial systems (General Ledger / Integra).	• Project Manager role undertaken by the Deputy Group Head Community Wellbeing • Associated project documentation completed.	

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			6. The Joint Group Heads of Community Wellbeing and the Group Head of Commissioning and Transformation should consider undertaking a Root and Branch review to streamline the implementation of the finance aspect of the Rent Management (Bed and Breakfast) project.	6. Agreed to implement. (Implementation pending) Up to the middle of March, the Root and Branch team have been working closely with Housing Options to review and map a number of aspects of the service. It was agreed that the finance aspect of Bed and Breakfast was best looked at when the new system was in place,.	
2. Inspectors Function (Customer Services) November 2019 (Draft) Final report to be issued shortly	**Major Improvement Needed**	Deputy Group Head Customer Relations	1. Documented policies and procedures for the Inspectors function should form part of a Procedure Manual and endorsed by Management. This should give reference to the requirement for regular staff reminders (Customer Services) relating to the Money Laundering Policy. 2. To ensure adequate segregation of duties,	1. Procedures were previously updated in January 2019 and further review is planned. In November 2019 staff were reminded of the Money Laundering Policy and an annual reminder will be issued going forward. 2. Not agreed for implementation. Following a restructure of the Customer Services team new	**Major Improvement Needed**

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			Inspectors should not be granted access to apply discounts, exemptions or reliefs or even to bring a property into taxation. In addition, Inspectors should not be granted access to any key processing activity for example additions / deletions / amendments to accounts. 3. An annual email reminder should be sent by Management to all staff within the Customer Services Team to remind staff that it is a disciplinary offence to view or amend their own account, family and friends in either Academy or Civica systems. 4. As part of the Corporate Counter Fraud contract with Reigate and Banstead, opportunities should be	Inspector posts were created to allow officers to support the team during busier periods as well as inspect properties. This also allows for a greater understanding and enhancement to the role and provides valuable additional resource in the team. 3. Implemented in November 2019. 4. The Principal NNDR Officer is currently reviewing policies and all reliefs will be reviewed as part of this process. A Small Business Rate Relief	

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			pursued to undertake small business rate and charity rate relief pro-active exercises, as well as exploring other counter fraud measures in the area of tax avoidance and evasion (Business Rates). 5. A lone working risk assessment should be completed by management for all 3 Inspectors in compliance with the Management of Health and Safety at Work Regulations 1999. 6. Management should consider providing Inspectors with a windscreen mounted satellite navigation system or a windscreen mounted mobile phone holder in their cars to be able to concentrate on driving	exercise commenced in February but the pandemic caused delays in progressing other areas. Recent focus has been counter fraud checks on Business Support Grants applications. Suspected fraud cases may be referred to Reigate where considered appropriate. 5. Completed. 6. These will be provided to the inspectors only if required.	

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			around the Borough in a safe manner. 7.Consistent and proportionate management checks / review should be undertaken of Inspectors activity to minimise the risks of error, fraud and financial losses to the Authority. Any such review should be evidenced.	7. Given that additional management positions have been filled, reviews of inspector's visits will be checked by senior officers. The risk of fraud is considered low by Management as the inspections are raised by another officer and once the inspection is completed, the associated work item could be actioned by another officer. Increased evidencing will be considered going forward.	
3. Commercial Asset Acquisitions and Investments September 2019 (1st Draft) July 2020 (Final)	**Some Improvement Needed**	Group Head Regeneration & Growth & Group Head Corporate Governance	(The audit review was primarily aimed at providing assurance on asset acquisitions completed as well as highlighting any improvement actions should future opportunities arise) 1. With regards the appointment of Professional Advisors, where the procurement process followed falls outside the	1. Agreed to implement.	**Some Improvement Needed** **Corporate Risk Register**

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			requirements of 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/noting from Cabinet. 2. We recommend that revised arrangements for decision making in respect of Council Property and the role of the Property Investment Committee (PIC) as approved by Cabinet in November 2019 are subject to periodical monitoring and review.	2. With the change in administration there will be a review of the Constitution and governance issues which will address the required action.	
4. Property Development June 2020 (Draft)	**Some Improvement Needed**	Group Head Regeneration & Growth	1. With regards the appointment of Professional Advisors / Consultants, where the procurement	1. Agreed to implement. A procurement exercise is also underway to ensure greater transparency and value for money can be demonstrated.	**Some Improvement Needed**

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July 2020 (Final)			process followed falls outside the requirements of 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/noting from Cabinet. 2. For future property acquisitions there should be documented evidence to confirm the required group (Property Investment Committee, PIC) receives recommendations from officers with regards to potential new acquisitions for development purposes and also to support approval of the new acquisition	2. Agreed to implement.	**Corporate Risk Register**

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			opportunity to be referred to Cabinet for decision.		
5. Planning - Development Management November 2019 (Draft) December 2019 (Final)	**Effective**	Group Head Regeneration & Growth / Planning Development Manager	1. Planning Fees recorded on the Uniform system should be periodically reconciled against income received in the Councils main financial system, Integra E-Series on a regular basis. It may be appropriate for detailed reconciliation exercises to follow the high level income review currently undertaken. 2. The Development Management team in liaison with Accountancy should also assess the benefits of undertaking a reconciliation between additional services provided and income received.	1. Agreed and Implemented. 2. Agreed and Implemented.	**Effective**

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6. Brexit Readiness January 2020 (Draft) February 2020 (Final)	**Effective**	Group Head Commissioning and Transformation	1. The Audit Committee and Cabinet should receive regular briefings on the Council's preparations for Brexit. 2. The Parking Services Operational Manager should request more detailed assurances from the provider of the Flowbird Parking system about access to Council data in the event of a no-deal Brexit.	1. Reporting may take place at the end of the year once outcomes of negotiations become clearer. 2. Completed. The company have advised that there should be no impact on back office services and this includes any personal data.	**Effective** **Corporate Risk Register**
7. GDPR March 2020 (Draft) The final report will be issued shortly.	**Major Improvement Needed**	Group Head Commissioning and Transformation / Data Protection Officer	1. (Data Privacy Governance) Senior Management (in particular Group heads) should actively engage with data protection matters within the Council. We recommend a data protection workshop to be tailored and delivered to this audience to highlight current and potential risks associated with not adhering	1. It is acknowledged that DP is raised regularly by the DPO at senior management level. This recommendation can be monitored further as part of that mechanism.	**Major Improvement Needed**

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			to set tasks and deadlines, which results in non-compliance. Furthermore, we recommend more active involvement from Senior Management to ensure engagement from all service areas. This can be achieved through internal communications with a deadline incorporated for completing outstanding tasks. 2. (Data Privacy Governance) As stated in the previously issued Internal Audit Report in May 2018, to enhance data protection activities and stakeholder engagement, a committee of senior managers affected by the GDPR who can ensure that the necessary work is completed, should be established. Alternatively, Data Protection Champions	2. Agreed in principle but dependant on take up of DP Champions and Managers allowing them time to act as Champions. Managers are ultimately responsible for undertaking data protection activities.	

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			can be appointed within each service areas. These Data Protection Champions will be the point person within each of their own service areas for all data protection matters and will communicate with the DPO on a regular basis to raise any issues and provide an update of progress in their service area. 3. (Policies and Procedures) The title of the pop-up banner should be amended to reflect the use of cookies on the website. The banner should provide notice to users of the cookies that are being deployed and enable users to set their own preferences to the use of non-essential cookies. Furthermore, the 'hide this message' statement should be replaced with a banner	3. Agreed and the website host has been approached to make the required updates.	

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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
			which allows options for opting into non-essential cookies, although, this can remain if consent for non-essential cookies is separately sought. The banner should also provide a highlight of cookies being deployed on the website. 4. (Policies and Procedures) The data protection policy should include references to the separate procedural documents such as the 'Data Incident Procedure', 'Subject Access Requests Process' and 'Handling GDPR Rights' and 'Records Management Policy' so staff are aware of the existence of such procedures. 5. (Records of Processing Activities and Information Asset Registers) Once the Information Asset Registers	 4. Agreed 5. Management Team have previously outlined their support for the IAR exercise to be prioritised, but COVID-19 has put additional pressures on	

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			are complete, project plans can be updated with appropriate timelines. Therefore, we recommend that the IAR exercise is prioritised by service areas as an imminent need in order to further address wider gaps and requirements and prevent further delay in ensuring compliance overall. Further review of fields in the Information Asset Register may be undertaken to confirm relevant categories are included. 6. (Records of Processing Activities and Information Asset Registers) Where special category data or criminal or conviction offence data is processed, the following fields should be included in addition to the above:	Services so further delays are possible. Review of fields in the IAR have confirmed relevant categories are included. 6. Not agreed as current arrangements deemed sufficient. Retention periods are given in IARs. If data is not erased in line with retention period then this is listed as a Gap in Control in the IAR.	

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			• Link to retention and erasure policy; • Whether personal data is retained and erased in accordance with the policy document; and • Reasons for not adhering to the policy document (if applicable). 7. (Fair and Lawful Processing) To document all relevant lawful bases for processing in one place. The lawful basis for each processing activity should also be reviewed whilst these are being updated. 8. (Fair and Lawful Processing) To initiate a process where consent is managed and logged, additionally and specifically for the use of cookies (note earlier recommendation).	7. Not agreed as current arrangements deemed sufficient (lawful basis for each asset is given in the Information Asset Registers and reviewed yearly). 8. Consent is managed and logged by the few services who rely upon consent.	

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			9. (Staff Training and Awareness) Training or workshops should be delivered specifically to senior management to emphasise risks and general data protection matters. Bespoke training should also be made mandatory for specific service areas.	9. Not agreed as current training arrangements deemed sufficient	
			10. (Staff Training and Awareness) The Council should create and maintain a record of evidence showing completion and pass rates of GDPR training and this should be monitored and reviewed on a regular basis. A deadline for completing training should be set. This can be phased into 3 sections; tailored training to senior management; general data protection training for all staff (online) and tailored	10. Not agreed as current training arrangements deemed sufficient	

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			training to specific services and specialist areas. 11. (Data Breach) To further enhance the contents of the Data Incident Procedure document, the following should be incorporated; • Description of a formal process for reporting a high-risk breach to the supervisory authority (the Information Commissioner's Office) within the 72 hours window. 12. (Data Breach) A standardised process should be introduced for reporting incidents to the DPO and all other methods of sporadic communication (verbal and email) should be stopped. An incident reporting form should include various	11. Not agreed as current arrangements deemed sufficient. The ICO gives a comprehensive guide to reporting a breach. 12. Not agreed as current arrangements deemed sufficient	

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			categories as referred to in audit report. 13. (Privacy by Design and Default & DPIA) A Data Protection Impact Assessment (DPIA) procedure and a register of DPIAs should be put in place. This will allow the council to review areas that have been given deep privacy consideration, involve key stakeholders in the council and act as a source of evidence for complying with wider obligations. 14. (Third Party Compliance) A log needs to be developed to manage and review all third parties, processors and contracts. The log should include the following: • Name of third-party supplier;	13. Agreed and advised a DPIA procedure is in place; a register has commenced. 14. A spreadsheet of the contracts within the Council has been compiled to ensure they are GDPR compliant and variations logged. With new contracts all of the terms are GDPR complaint as a matter of course so a separate log is not considered to be a requirement. Furthermore a	

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
			• Whether they are joint controller, processor or sub processor; • Priority/criticality level for the business; • Date sent and received; • Scheduled actions if applicable; and • Dashboard/overview. 15. (Third Party Compliance) A procedure for due diligence should be established to consider the data privacy and security posture of existing as well as potential vendors/processors. This should also be considered as part of the on-boarding and monitoring processes. 16. (Third Party Compliance) A defined process for auditing third parties and processors needs to be established and incorporated into the log.	contracts register is already held. 15. Agreed 16. Individual Service areas are responsible for contract management and monitoring compliance with all contract terms.	

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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
8. Building Control January 2020 (Draft) February 2020 (Final)	**Some Improvement Needed**	Building Control Manager	1. Effective reconciliations should be performed at least monthly between Building Control income recorded on the Uniform system and the Council's Main Financial System (Integra) with any discrepancies investigated promptly. 2. The Building Control Manager should explore scope for increased automation as part of any future review of income processes.	1. Agreed in principle and this is now in place. 2. Agreed. Building Control are liaising with Finance and ICT to pursue increased automation although there are compatibility issues across systems. Any further system improvements will continue to be explored.	**Some Improvement Needed**
9. Cash Collection & Banking August 2019 (Draft) September 2019 (Final)	**Some Improvement Needed**	Chief Accountant	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	1. Agreed and Implemented.	**Some Improvement Needed**

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			annual review by management. 2. The procedural guidance in place relevant to cash and banking should be reviewed on at least a 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. 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	2. Agreed and Implemented. 3. Agreed and 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
			Daily Control Spreadsheet. This represents a fundamental control measure.		
			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, 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.	4. Agreed and Implemented.	
			5. The Money Laundering Policy should be subject to annual review. The Head of Corporate Governance, who acts as the Money Laundering Reporting Officer	5. Agreed	

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
			(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.		
10. Treasury Management June 2020 (Draft) July 2020 (Final)	**Some Improvement Needed**	Chief Accountant	1. As part of decision making, Treasury Management officers should consistently apply prudence by ensuring evidence is provided in the form of actual monies transferred into the Council's bank account instead of placing reliance and trust on 'anticipated monies' being transferred from agents / 3rd parties. 2. In view of the ongoing and increased Treasury	1. The approach taken by the TM team is usually prudent, with trades not committed until received as a matter of practice. The incident noted was because of an assurance from the rent agent, which was not fulfilled. Management have advised that further mitigation measures have also been put in place. 2. Agreed to implement by 31 December 2020. Periodic	**Some Improvement Needed** **Corporate Risk Register**

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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
			Management activity, it seems prudent that the Chief Accountant (or other independent officer) carry out periodical management spot checks to incorporate high value transactions. The spot checks would enhance the control environment by confirming that transactions comply with limits set and a prudent approach is taken prior to making trade decisions thereby reducing the risk of re-occurrence. (This is a re-recommendation from 2018/19).	management checks will be incorporated when a new Chief Accountant is in place. However, issues that have arisen have been because of circumstance such as work pressures and limited staffing availability.	
11. Creditors March 2020 (Draft) June 2020 (Final)	**Some Improvement Needed**	Chief Accountant & Creditors Manager	1. Finance should update the Integra procedure notes and the General Creditors Payment Run Procedures to confirm they are in line with current working practices. Procedures should then be reviewed and updated	1. Agreed to implement by 31 August 2020.	**Some Improvement Needed**

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	Audit Recommendations	Progress comments i.e. 'Implemented', or 'Outstanding' # (see status key page 1)	Current RAG rating
			where necessary at least every two years. 2. A report of new suppliers and amendments to existing supplier data should be run from Integra on a monthly basis. This report should also show the officer that processed the update or change. 3. Checks should be carried out by the Accounts Payable Officers or an independent Officer on all entries in the supplier amendments report (ensuring that officers do not check their own changes and therefore allowing for segregation of duties) to confirm that changes are valid and documentation to support the change has been retained.	2. Agreed and implemented. 3. Agreed and 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
12. Housing Benefits June 2020 (Draft & Final)	**Effective**	Joint Group Heads Community Wellbeing	There are no recommendations arising from audit work undertaken.	Not Applicable.	**Effective**
13. Payroll (July 2020) Interim Draft Report	**To be confirmed**	Group Head Commissioning and Transformation/ Human Resources Manager	All manual records that support the administration of core HR and Payroll processes should be scanned and maintained electronically to ensure continuation of service delivery. The HR Manager should explore the options of a Document Management System.	This recommendation is being discussed with Management.	**To be confirmed**
14. Business Rates (July 2020) Interim Draft Report	**To be confirmed**	Deputy Group Head Customer Relations	1. Ratepayers should complete a Refund Request form when applying for a rates refund and the document should be scanned into Civica. 2. Write offs should be undertaken promptly and in accordance with the Corporate Debt Policy.	1. The refund request application form will be requested in certain circumstances where Management deem it to be necessary (for higher value amounts). 2. Implemented and underway.	**To be confirmed**

> **WORK IN PROGRESS:** The following assignments have commenced and are currently underway (some ongoing). Audit recommendations for these assignments (if arising) including assurance opinion ratings will be reported to a future Audit Committee (November 2020).
>
> 1. Procurement – A follow up piece of work to assess and verify implementation of previous audit recommendations, as well as highlighting any key matters arising from recent audit analysis of Suppliers and payments.
> 2. Communications Audit – Consideration of potential risks and scoping for this review has commenced. The audit has been deferred to July/August at the request of Management due to COVID-19.
> 3. COVID-19 – Assurance and verification work on Business Support Grants will consider associated risks and review control processes operating to validate applications and grant payments, including counter fraud checks and assurance reporting in accordance with Government guidance/framework.
> 4. COVID-19 – Advisory work, monitoring the Council's Pandemic response, identification and assessment of risks emerging and evolving.

Follow Up Audit Recommendations	Managers are requested to advise on the status of audit recommendations issued to assess implementation. This should encourage greater management ownership of control systems and risk mitigation. Previous recommendations are also followed up at every audit review (where applicable) and as part of the periodical 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	❖ Reporting to Audit Committee three times a year (9 reports per year) includes Internal Audit activity ❖ Annual Audit Plan preparation for 2020/21 in liaison with Group Heads and Managers, with inclusion of key risks and audit objectives for planned assignments ❖ Meetings with the Audit Committee Chair and Portfolio Holder for Finance/Audit ❖ Following up and responding to actions/ questions raised by Audit Committee members

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	❖ Input to Audit Committee Training provided by external trainer in July and October 2019 ❖ Annual Audit Opinion & input to Annual Governance Statement ❖ Liaison meetings with the External Auditors (BDO) to discuss working approaches, audit findings and key timelines. ❖ Audit Planning including timings, allocations, scoping and prioritisation review ❖ Preparation of audit briefs, terms of reference and work programmes ❖ Supervision and guidance including quality review process for every audit review undertaken ❖ Exit Meetings with management and finalising audit reports ❖ Responding to Senior Management requests to defer planned audit assignments / reduce scope ❖ Escalation where necessary to enable finalisation of work
Corporate Risk management	The Internal Audit Manager has coordinated the Council's Corporate Risk Register which represents the Council's most significant risks and reports regularly to Audit Committee and Cabinet. The Chief Finance Officer and Internal Audit Manager worked closely with a Risk Management Trainer in the early part of 2020 to develop and refresh the corporate risk management policy. A revised draft policy has been prepared, for consideration by the Audit Committee. To ensure alignment with the revised policy, greater focus is being given to identifying and assessing fewer corporate risks, specifically considering and assessing those risks that may impact on the achievement of the Council's Corporate priorities. In light of this, a proposed new format for the Corporate Risk Register has been recommended applying 'Housing' as a mock risk example. This has been shared with Members of the Audit Committee in January, subject to further consideration and discussion. Further development of this area will take into account the revised Corporate plan.
Corporate Counter Fraud	• Collate and monitor quarterly fraud returns for submission to Surrey County Council. Payback/returns are continuing to be achieved from the counter fraud work and Spelthorne's cumulative fraud returns from the start of the Surrey Counter Fraud Partnership in January 2015 up to March 2020 equate to £2,611,628 (represent financial savings to the public purse based on Cabinet Office estimated figures) of which quantifiable cashable savings for Spelthorne exceed £492,000. • 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 prepared a business case to continue procuring counter fraud resource until 2021/2022. Collaborative working has produced positive outcomes particularly in Housing with enhanced verification checks for new homelessness claims. Positive results were publicised to serve as a deterrent. Meetings have taken place to encourage greater focus on social housing fraud going forward and we wish to work closer with social housing providers to specifically target this issue. There have also been wider benefits for Spelthorne's Housing team with

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	opportunities to enhance learning and skills in this area, which has been positively embraced. Reigate are also assisting on Council Tax support and benefit investigations, given the DWP'S direction on joint working. Pro-active fraud initiatives relating to Business Rates (such as the Destin Solutions hub for small business rate relief) continue to be encouraged. ❖ 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 Housing Tenancy forum. ❖ Internal Audit, Finance and other teams circulate details of frauds and scams identified nationally or locally to make staff aware of risks and asses their impact as necessary. ❖ 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. ❖ 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. ❖ The Internal Audit Manager worked closely with Reigate and Banstead Council to organise and deliver fraud awareness training in January 2020 for high risk public fraud areas such as Housing, Benefits, Council Tax and Business Rates. This highlighted the opportunities (financial and wider social benefits) of embracing counter fraud measures and the training was well received by internal teams and Housing Providers such as A2D. ❖ The Anti-Fraud, Bribery and Corruption Strategy is reviewed annually
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.

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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. Where Auditors have conducted similar reviews at other local authorities any best practice can be shared. Performance monitoring is undertaken and there are established mechanisms for contractor feedback.
Audit advice to management & Liaison (responsive and pro-active work)	❖ 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). ❖ Property Development Unit –offered advice regarding implementation of the new Property Management software system ❖ Root and Branch review for Direct Debits - advised on risk and control implications for processes being proposed ❖ Asset Governance – acknowledged proposed revision to delegations and decision making process /comments ❖ Business Rates relating to payment processes for high value transactions ❖ Insurance/stolen vehicle ❖ Secure Workspace – Document Sharing software ❖ Confidential advice to some service areas/special investigatory work ❖ Whistleblowing Process ❖ Various MAT reports – governance, risk and control issues ❖ Discussions with the Chief Accountant on the budget process ❖ Discussions with Customer Services on suspected Money Laundering case ❖ Responses to Committee Services on the Benchmarking Tool assessment for the Whistleblowing Policy ❖ Redmond Review – input to responses to Questions ❖ Attended meetings with Finance and Assets and provided advice on proposals for setting up a new bank account for rent collection, reviewed alternative options paper setting out considerations for risk and control implications ❖ Insurance – An advisory piece of work was undertaken at the request of Management which gave consideration to current risks/areas that would benefit from further mitigation measures and an assurance template was used to inform this work ❖ COVID-19 – Advice was issued to the Payments team following the move to remote working, with a view to ensuring key control processes relating to payment runs are not unduly compromised in the new working environment ❖ COVID-19 – Advice was issued to Customer Services in preparation for the Council Tax Assistance scheme
Internal Investigations	• 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. • Following a Management led investigation, advice has been provided to the Section 151 Officer regarding enhancements to the associated control environment.

Miscellaneous	Various as summarised below:
	❖ Attendance at Corporate training sessions
	❖ Continuous Professional Development, training and support for professional study, auditing seminars, CIPFA Financial Management Code training session
	❖ Service Planning
	❖ Performance Management / 1-1's
	❖ General/team management (staff support/ admin/GDPR Compliance Plans/ Health and Safety/ Budget/Growth Bid submission for audit resource and collation of information requested by Management Team for audit benchmarking purposes/ /Legal Liaison/ Business Impact Assessment & Service Continuity Planning/Health and Safety and Homeworking checklist / information requests relating to COVID-19 etc.)
	❖ MAT feedback meetings with the Deputy Chief Executive (s.151 Officer) and Chief Accountant
	❖ A change to the positioning and reporting lines of the Internal Audit function took place from February 2020 (reporting directly to the Head of Corporate Governance)
	❖ Relocation to the Corporate Governance Office and attendance at team meetings
	❖ Liaison meetings with the s.151 Officer on audit matters as part of new 'dotted reporting line'
	❖ Secure disposal of manual information to help reduce storage and review of working practices to reduce paperwork
	❖ Corporate staff meetings
	❖ Marketplace event for Councillors

Audit Committee	
23 July 2020	SPELTHORNE MEANS BUSINESS

Title	Annual Governance Report		
Purpose of the report	To make a decision		
Report Author	Chief Finance Officer		
Cabinet Member	Not applicable	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	**The Audit Committee is asked to approve the draft Annual Governance Statement at Appendix 1 and endorse the improvement actions identified in the Statement**		
Reason for Recommendation	**The Committee has a statutory duty to review and approve on behalf of the Council the Annual Governance Statement.**		

1. **Key issues**

1.1 The need to review arrangements for corporate governance and internal control and to produce the Annual Governance Statement (AGS), attached as Appendix 1, is given statutory backing by the Accounts and Audit Regulations 2015. The CIPFA/SOLACE governance framework 'Delivering Good Governance in Local Government' brings together an underlying set of legislative requirements, governance principles and management processes. Crucially, it states that good governance relates to the whole organisation CIPFA has assigned proper practice status to the governance framework.

1.2 It outlines six core principles of governance focusing on the systems and processes for the direction and control of the organisation and its activities through which it accounts to, engages with and (where applicable) leads the community. The degree to which the authority follows these principles should be declared in its Annual Governance Statement. It is this statement that has the legal backing of Regulation 4 of the Accounts and Audit Regulations. The Annual Governance Statement (AGS) sets out the framework within which internal control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The AGS also identifies any areas of significant weakness in internal controls, and areas for improvement, and the actions taken to remedy these.

1.3 The Annual Governance Statement relates to the system of governance arrangements and internal control as it applied during the financial year in this case, the 2019/20 financial year.

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

- Reviewing the effectiveness of Internal Control

- The scope of internal control spans the whole range of local authority activities and includes those controls designed to ensure that:

- Council policies are put into practice.

- There is compliance with law and regulation.

- Agreed procedures are followed.

- Financial statements and other published information are reliable and accurate.

- There is the efficient and effective use of management and resources in the delivery of high quality services.

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

- Establish principal statutory obligations and organisational objectives

- Identify key risks to their achievement

- Identify and evaluate key controls to manage principal risks

- Obtain assurances on the effectiveness of key controls

- Evaluate and identify gaps in controls and assurances

- Produce an action plan to address gaps and ensure continuous improvement in internal controls

- Produce the Annual Governance Statement

- Report to Committee

The sources of assurance include:

- Published documents (e.g. Constitution)

- Corporate management team and managers throughout the organisation assigned with the ownership of risks and delivery of services

- The Monitoring Officer

- The Responsible Financial Officer

- Internal Audit, particularly informed by the Internal Audit Manager's Annual Report opinion and conclusions.

- External Audit

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

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

1.6   An important source of assurance is provided by the work of Internal Audit and several of the control issues identified in the Statement relate to items identified in the Audit Services' Reports for 2019/20 which have been considered by the Audit Committee, particularly with respect to issues identified in the Corporate Risk Register.

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

2.   Options analysis and proposal

2.1   It is proposed that the Audit Committee approve the Annual Governance Statement for inclusion within the Statement of Accounts for 2019/20.

3.   Financial implications

3.1   There are none

4.   Other considerations

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

5.   Equality and Diversity, and Sustainability

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

6.   Timetable for implementation

6.1   Not applicable.

Background papers:

Appendices: Appendix 1: Annual Governance Statement

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Annual Governance Statement 2019-2020

Introduction

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

We present this Annual Governance Statement to explain how we deliver on these expectations, to outline what has been achieved in the last year and tell you about the improvements we are currently working on. With the new municipal year having commenced and the new Cabinet and Committees in place, we will be bringing forward some reviews to be carried out by working groups, bearing in mind the changes to all our residents' lives as a consequence of the Covid-19 pandemic. We will also be engaging in a Local Government Peer Review this year, which will bring an added external view on the Council's work in the future.

We hope that in reading this Statement you will be encouraged to explore further the work of your Council. You can read all of the documents to which we refer on our website. You can view Council meetings online to see how we do business. You can discuss any of these matters with your local councillor.

The Council's vision for the Borough

The Council had a Corporate Plan for the period 2016-2019 and a new one for 2020-2023 is currently under preparation.

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

The Corporate Plan will take account of the following types of issues for the residents of Spelthorne:

- **Housing**. We have a serious ongoing problem providing our residents with affordable housing. We have started to address this issue by building houses and by setting up a housing company, Knowle Green Estates Ltd. We have reviewed the purpose, corporate structure and governance of this company and a new Business Plan has been approved.

- **The Local Plan**. This is being reviewed and we encourage you to find out more about the changes this could bring. The Government is asking us to house more people and build more properties than ever before. This is a huge challenge in an urban area with a lot of Green Belt. We have to consider if we build higher density developments in our town centres or give up some of our Green Belt.

- **Heathrow Airport expansion**. The current expansion plans have been the subject of High Court decisions. Although we have supported Heathrow's economic success in the past, we have always said it cannot come at any cost. The Council will continue to participate in and further discussions about the future of Heathrow Airport.

- **Southern Light Rail**. For years the infrastructure needed for improved rail transport into Heathrow has not been delivered by the Airport or Network Rail. The Council now believes there is a credible and affordable option to promote a sustainable light railway to link Staines station to Heathrow. We think this option could be privately funded without taxpayer subsidy. If this could be built, this would encourage more people to leave their cars at home and provide better transport links for Airport workers. We will continue to explore this with Heathrow, Network Rail and the Department of Transport.

- **Town Centre Regeneration**. It is clear that there are changes in the way people shop and spend their time in town centres. We are determined that our town centres will not suffer. We will take steps to plan for the vibrant places you will want to visit.

- **Sustainability.** A Climate Change working group has now been set up and Action Plan will be developed. We have an Energy & Water Efficiency Policy (2015-2020). We have increased our renewables capacity with solar PV installations on 2 of our Day Centre's – these produce 15% of the energy used by both sites. We have installed PV panels on our West Wing housing development in Knowle Green and are looking to install PV on other sites in the future. We have a continuing requirement on all new development to source 10% of the energy used onsite from renewable generation. We have provided EV charging provision at two of our public car parks and the same facility is available for staff at the Council Offices. We are actively seeking opportunities for further funding to roll out charging infrastructure across the Borough. We continue to support residents in Fuel Poverty through the utilisation of Energy Company Obligation (ECO) Grant funding and a small capital fund (£30,000). The funding enables households in fuel poverty to cut their bills and reduce carbon emissions through installing energy efficiency measures. We have a developed a Single-use Plastics Policy & Strategy.

How we run the Council

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

- **Constitution**. This document remains a modern and effective document. We will review it again during the course of the next year as amendments need to be made in the light of recent events and changes in legislation.

- **Policy Framework**. We have a number of important policies which are approved by a majority of all councillors. These are reviewed regularly. The most important policy is the Local Plan and this is being reviewed at the present time.

- **Governance Framework**. We adhere to standards jointly published by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). These standards are adopted by most councils. We reviewed the framework in 2018 and we will keep it under review.

- **Scrutiny of decisions**. Although the majority of decisions are made by the Cabinet or delegated to staff, there are structures and processes in place to hold these to account. We have an Overview and Scrutiny Committee and an Audit Committee which have cross party representation to review our performance, influence policy and review our decisions. As a result of our commercial property investments, there is now more focus on how these decisions are made and the risks around property management.   A new sub-committee of Cabinet has been set up to deal with certain decisions relating to the investment portfolio, to enable timely decision-making.

- **Knowle Green Estates Ltd**. As our wholly owned company becomes more important in the delivery of our housing targets, we have ensured that it has independent auditors and that such audits feed into the Council's overall Statement of Accounts. Further work on the appointment of independent non-executive directors will be done in the coming year.

How we manage the finances

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

- **Commercial Property Investments.** Thirty percent of the money we need to run the Council and provide services for residents now comes from our commercial property investments. It is essential that these investments work for us and that we protect those investments for the long-term. We have a range of measures in hand to ensure that this happens. We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this £1billion portfolio. We will continue to do this. We have been open and transparent with residents' associations about what we are doing, why and how they are protected. We will continue this dialogue. The impact of Covid-19 will also need to be factored in for the new financial year 2020-21 and beyond.

- **Capital Strategy.** In February 2020 the Council approved its updated Capital Strategy which is a plain English document explaining council borrowing and spending. It describes where we have come from, what we are doing with commercial property and how we are now subsidising provision of affordable housing. The Strategy also has a plain English Executive Summary to make it even more accessible for residents and it is backed up with technical appendices which explain the detail behind the strategy. We encourage you to read it. We will keep this document up to date so that it always explains what we are doing and how we are doing it.

- **Systems of internal control.** Apart from the specific overview of the Council's investments and housing schemes, we have adequate systems in place to effectively manage risks, ensuring the day-to-day running of the business and the sound management of cash-flow. Managers are responsible and accountable for operating adequate systems of internal control to effectively manage risks within their Services, giving due

consideration to fraud risks. We have a Chief Finance Officer (CFO), also known as the s151 Officer, who oversees these systems and they are regularly audited proportionate to the level of risk. Internal Audit findings are raised with management, and recommendations reported to the Audit Committee. There is regular budget monitoring by the Cabinet and Overview and Scrutiny and these papers are published on our website for you to read. We have a Medium Term Financial Plan and we review our finances against this. The CFO is a member of the Council's senior Management Team.

How we ensure we are listening to you

- **Consultation with residents**. Many of our policy changes require formal consultation with residents. In other cases we consult informally to understand residents' priorities. In the last year we changed our approach on the building of a new replacement leisure centre as a result of public feedback. As we develop new facilities we will continue to consult using the most appropriate methods. We will publish details of all consultations on our website.

- **Channels of communication**. The Council has a number of ways it can engage with residents. We are always reviewing the most appropriate ways to communicate, from formal statutory consultations through to the Council's use of social media.

How we are accountable

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

- Speak to your ward councillor or the Cabinet member responsible for the issue
- Complain about services you think are not performing
- Request information under the Freedom of Information Act and the Environmental Information Regulations.
- Ask questions at the Council and the Spelthorne Joint Committee
- Present petitions
- Speak at Planning Committee about applications in your neighbourhood
- Join your local residents' association

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

How we promote high standards in public office

The Council has a dedicated Members' Code of Conduct Committee. This Committee is guided by an Independent Chairman and Vice-Chairman. A Panel of

Independent Persons is now in place. They are consulted on any complaints against councillors to say whether they should be investigated.

We have numerous policies and procedures in the Constitution to back up a strong ethical approach to local government. In the last year we received five complaints about councillors. One was considered by the Assessment Hearings Panel which decided not to take any further action. The other complaints were rejected by the Monitoring Officer, one of which was reviewed by the Local Government Ombudsman who upheld the Monitoring Officer's decision.

Training was given to Councillors on Probity and Decision Making in Planning.

The Council has in place a policy on Gifts, Hospitality and Sponsorship which applies to both staff and councillors. There also policies dealing with Anti-Fraud and Corruption and Whistleblowing.

How we learn and improve

Internal audit

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

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

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

During 2019/20 the Internal Audit Manager reported on twelve areas and noted a number of assignments that are work in progress, of which two were deemed 'effective' (satisfactory), five were assessed as requiring 'some improvement'. The remaining areas reviewed were identified as high risk or requiring 'major improvement'.

The Internal Audit Managers opinion for 2019/20 is that the Council's internal control environment and systems of internal control in the areas audited were generally adequate, with the exception of the areas where improvements were recommended to address medium to high risks.

The Council maintains a Corporate Risk Register, which is coordinated by the Internal Audit Manager and which is reported regularly to Management Team, Cabinet and Audit Committee. The Corporate Risk Register identifies and evaluates the key corporate risks facing the Council, the mitigating measures in place, and tracks outstanding issues to address risks. As part of refreshing the Council's approach to Risk Management, the format and structure of the Corporate Risk Register has been reviewed and the proposed changes shared with Audit Committee. The revised register aims to focus on a smaller number of corporate risks relating directly to delivery of the Corporate Plan Priorities/Objectives. It also aligns to

methodology set out in the revised Corporate Risk Management Policy. The Policy and guidance has been fully refreshed and reviewed this year.

The internal audit team has carried out a number of audits in accordance with the agreed annual plan. Full details of these findings and the management response to them, as well as any key themes arising from Internal Audits work for 2019/20 are to be found on the Audit Committee pages on our website (Annual Audit report 2019/20).

External audit

KMPG have still not delivered a Value for Money opinion on the 2017/18 accounts and this matter is overdue. The Council has repeatedly pressed KMPG for this matter to be resolved as a new auditor (BDO) has now been appointed for the Council by the independent Public Sector Audit Appointments body. BDO took over the audit of the Council's accounts for 2018/19 and 2019/20 and we look forward to concluding all outstanding matters.

Audit Committee

Terms of reference are set out in Constitution. There are regular meetings and work plan is published.

How we learn from complaints and feedback

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

- Our Complaints procedure is working well after a review in recent years. However, we are always looking at ways to improve it and are currently undertaking a Root and Branch Review of the complaints process.
- We have a staff whistleblowing procedure which has been reviewed in the past year. No issues were identified but we are considering a number of suggestions for improvement to our procedures.

The Local Government and Social Care Ombudsman has yet to report to the council for the year 2019/20, due to the implications of Covid-19. The Annual Letter when it is received will be duly published.

FOI/GDPR

The step up from the requirements of the 1998 Data Protection Act to the requirements of the GDPR presented a challenge to the Council and our long term project to ensure compliance with the General Data Protection Regulations and improve the Council's information governance arrangements continues. This project has already delivered, and will continue to deliver, significant improvements in the Council's information governance arrangements.

The Group Head of Commissioning and Transformation is the Council's Senior Information Risk Owner who has responsibility for managing information risk across the council.

The Council's full time Data Protection Officer is responsible for overseeing data protection strategy and implementation.

The Council has clear processes for managing Freedom of Information Act, Environmental Information Regulations, and Data Protection Act requests. The aim of the process is to promote transparency across the organisation and deliver an efficient approach to handling requests.

Staff continue to ensure compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, and Privacy and Electronic Communication Regulations. An audit of GDPR has been undertaken.

Monitoring includes reports to Management Team, internal and external audits and Information Commissioner reviews as appropriate.

Covid-19 has brought unprecedented challenges due to the need to share information quickly and adapt the way the Council's essential services work. Data protection staff are assisting colleagues to ensure that the Council only collects as much personal data as is strictly necessary for the relevant purposes and to continue to comply with Data Protection legislation.

How we will deal with significant governance issues

Review of significant governance issues:

- **Investment Assets portfolio management**. We have a £1bn property portfolio and we have put in place staff capacity skills and resource to manage it, reduce risk and deliver the benefits from it. We will continue to increase the team and review our governance arrangements. There is also a framework involving councillors: reports to Property Investment sub-committee, Cabinet, Full Council and Overview and Scrutiny Committee, as appropriate.

- **Building the homes residents need**. We have strengthened all aspects of procurement and project management to ensure that we can deliver the projects which are envisaged by the Capital Strategy. We have ensured there is appropriate oversight and scrutiny of these projects, as they are delivered either by the Council directly, Knowle Green Estates or other third party developers.

- **Delivery of local government**. Given the cuts made by Surrey County Council and the financial position of our key partner, we have monitored their cuts on delivery of services to our residents. We will continue to speak up for Spelthorne.

Significant issues for the year 2020/21:

- Covid-19 implications: An Extraordinary Full Council meeting held on 21 May 2020 received a detailed report setting out the Council's response to date on the Covid-19 pandemic. There is no doubt there is a significant impact on the delivery of council services as well as financial costs and anticipated income shortfall. There will be further reporting to Cabinet, Overview and Scrutiny Committee and Audit Committee as events unfold during the coming year. Risks and opportunities which continue to emerge and evolve through various

stages of the pandemic (and beyond recovery phase) will be identified, prioritised, managed and monitored If there are any wider lessons learnt these will be considered to ensure continuous improvement of crisis management, emergency and business continuity planning and organisational resilience. The opportunities may include an emphasis on climate change and sustainability issues.

- Property portfolio: The Council will continue to keep actively manage its property portfolio. A new Asset Management Plan will come forward setting out how this will be done.

- Review of the Constitution: this is planned for the new municipal year, as resources permit and will be overseen by the Monitoring Officer and the Members Code of Conduct Committee.

- Role of KGE in delivering housing: the delivery of housing in the Borough will be keep under constant review.

- Setting up of trade waste company: this is a new commercial venture for the Council and again will be overseen by Cabinet.

Conclusion

We think that Spelthorne is a special and unique place. We are dedicated to providing the very best public services for you. In the last five years the Council has changed. We have evolved from a medium sized borough council reliant on central government funding, to become a leader in our sector. We have secured the financial future of the Council. We have protected you from cuts to services and also shielded you from cuts made by Surrey County Council. We now "punch above our weight" and we think that this is something you can take pride in.

As we deal with the challenges of the next few years in the light of the impact of Covid-19 on our economy, health and safety and well-being, you can be assured that we are doing so from a solid foundation. We have the finances, the people, the systems in place to deliver for you. We encourage you to find out more.

....
Cllr John Boughtflower   Daniel Charles Mouawad
Leader of the Council   Chief Executive

Audit Committee	
23 July 2020	

Title	Internal Audit Annual Plan 2020/21 (Revised)		
Purpose of the report	To note		
Report Author	Internal Audit Manager, Punita Talwar		
Cabinet Member	Councillor Sati Buttar	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	That the Audit Committee approves the revised risk based annual audit plan for 2020/21.		
Reason for Recommendation	To fulfil statutory requirements and professional audit standards.		

1. Key issues

1.1 This report sets out the work planned by Internal Audit during 2020/21 in order to fulfil its statutory and professional requirements. In light of COVID-19, the original audit plan (issued to Members of the Audit Committee in March 2020) has been reviewed and reprioritised to ensure focus is given to emerging and evolving risks, new processes and wider implications arising from the pandemic environment, whilst continuing to audit some of those higher risk areas that align closely with Spelthorne's corporate priorities and objectives.

1.2 A copy of the revised Internal Audit Annual Plan Summary (2020/21) based on the 'prioritised audit need' is attached at Appendix 1. This includes other tasks that support the delivery of the audit service to meet statutory and professional requirements. A total of 429 estimated days are required to complete the Audit Plan.

1.3 Supporting the corporate emergency response to COVID-19 has been the focus for Quarter 1, as well as completion of prioritised 2019/20 audit work in order to inform the annual audit opinion. In addition advisory work on new and emerging processes, risk analysis, audit follow up (recommendations) and Audit Committee reporting are examples of work areas undertaken. As part of the recovery phase further audit, assurance and advisory work will be carried out, although we remain mindful of the ongoing pressure on all Services and the backlog of work arising from COVID-19. A priority rating (A or B) for undertaking proposed assignments has been recommended in the revised audit plan.

1.4   The original plan report shared with Audit Committee in March 2020 sets out the background to the annual audit planning process. Internal Audit findings will form the basis of the annual audit opinion for 2020/21 on the adequacy of the authority's control environment which feeds into and underpins the Annual Governance Statement.

1.5   The Internal Audit Annual Plan is intended to be flexible and agile to take into account changing priorities according to perceived risks. This is particularly relevant in the current pandemic environment and uncertainty that prevails.

2.   Options analysis and proposal

2.1   The revised audit plan has given due consideration to emerging and current risks (and opportunities) facing the authority.

3.   Financial implications

3.1   Please refer to previous audit plan report of March 2020 (this refers to additional support requirements for unforeseen internal fraud investigations).

4.   Other considerations

4.1   The revised Internal Audit Annual Plan has focussed on the areas of higher priority for 2020/21.

4.2   The revised Audit Plan will be giving consideration to **Equality and Diversity** measures as part of auditing Organisational Culture.

5.   Sustainability/Climate Change Implications

5.1   The revised Audit Plan includes a review of Climate Change and any recommendations arising will aim to support continued sustainability/climate change measures.

6.   Timetable for implementation

6.1   The Internal Audit Annual Plan sets out work to be undertaken by the Internal Audit team during the 2020/21 financial year.

Background papers: There are none.

Appendices: Appendix 1 Revised Annual Internal Audit Plan 2020/21

APPENDIX 1				Internal Audit Plan 2020/21 (Revised)		
Audit Area (Identified as part of Audit Needs Assessment)	**Time Budget (Days)**	**Service Lead Area**	**Comments/Considerations**	**Key Risk Considerations**	**Key Objectives (An evaluation of risks and controls will form part of the audit process to include an assessment of COVID-19 implications) Preferred Timing (to be confirmed as the authority resumes recovery phase)**	**Plan Review Comments**
1. COVID-19 Pandemic Response and Recovery workstream : **(PRIORITY A)** **(i) Business Support Grants**	15	Customer Services (Business Rates) Community Wellbeing	A number of new processes have emerged as part of the authorityss's COVID-19 response effort. Independant assurance is recommended for higher risk areas to confirm activities have given due regard to adequate control processes and risk mitigation measures in safeguarding public funds. Business Support Grants is a significant area (approx £14m spend).	Significant financial value associated with Business Support Grants administered on behalf of the Government (£14m); when new processes are set up within tight timeframes to respond to need there are increased risks of controls being compromised or overridden; Fraud and Error leading to financial losses/reputational damage	Key controls operating will be reviewed and tested to ensure validity, legitimacy and accuracy of grant payments. Assessment of mitigation measures implemented to minimise fraud, bribery and error aswell as adequacy of response (where fraud suspected or identified). Assess Business Support Grants administered (sample testing only) comply with Government framework, assurance guidance, and counter fraud checks.	New Area for Revised Audit Plan.
2. COVID-19 Pandemic Response and Recovery workstream : **(PRIORITY A)** **(ii) Additional areas of Expenditure, e.g. Food Distribution and 'Support for Spelthorne' welfare hub**	5	Community Wellbeing /Other Service Areas	A number of new processes have emerged as part of the authorityss's COVID-19 response effort. Independant assurance is recommended for additional areas of expenditure (of reasonable value) to confirm adequate control processes operating in safeguarding public funds. (Reimbursement claims being submitted to MHCLG)	When new processes are set up within tight timeframes to respond to need there are increased risks of controls being compromised or overridden; Fraud and Error leading to financial losses/reputational damage; non-compliance with procurement regulations; poor value for money in sourcing emergency supplies	To ensure validity, legitimacy, accuracy and approval of additional areas of expenditure. (Sample testing of transactions and associated documentation).	New Area for Revised Audit Plan.
3. COVID-19 Pandemic Response and Recovery - Risk Considerations **(PRIORITY A)**	15	Internal Audit	Observations, risk considerations, and wider/long term implications have been set out which may continue to evolve. Articulating the risks (and opportunities) emerging from COVID-19 in a documented risk assessment .	These have been identified and set out in the risk assessment, include a range of broad risk categories as well as specific risk areas and mitigation/control measures to manage risks. Some risks link closely to corporate priorities such as Financial Sustainability and Economic Development.	Development and facilitation of a risk assessment work to support the authority during and beyond the pandemic environment.To ensure adequate arrangements are in place to identify, manage, prioritise, monitor and report on COVID-19 risks and opportunities emerging and evolving , supporting ongoing organisational resilience. The most significant risks (and opportunities) arising require prioritsation for action.	New Area for Revised Audit Plan.

4. Workplace Culture & Ethics **(GOVERNANCE)** **(PRIORITY B)**		16	Corporate	Not previously audited. Highly recommended for inclusion in audit plans by professional auditing bodies (based on research into key risks facing organisations across all sectors) and promoted in audit standards (PSIAS).	Organisational values defined are not reflected or embedded in behaviours; if there is misalignment between organisational strategy, values and culture this may impact on the achievement of objectives and goals; associated reputational risks.	This will incorporate a focus on 'soft' controls and patterns of behaviour/attitudes to establish an insight into cultural dimensions . It will go beyond for example confirming the existence of strategies/policies in a particular area, but consider how effectively those policies and processes are being embraced and embedded to achieve the desired vision and values promoted by the Council . (Internal risk is predicated on the behaviour of staff)	Note original 'Comments' Column.
5. Emergency Planning **(REGULATORY)** **(PRIORITY A)**		11	Commissioning & Transformation	Audit due - last audited in 2016. Previously on Corporate Risk Register.	Examples include a major Disaster in the borough, e.g. flooding/fire or global pandemic, resulting in significant strain on delivery of council services and impact on wider community/borough and beyond	Review adequacy of arrangements in place for Emergency Planning and monitoring of service provision by 3rd Party. *Assess the level of emphasis given to pandemic scenarios/planning . Consider whether any "lessons learnt "from the COVID-19 emergency response may help to further enhance future Emergency Planning arrangements .*	The pandemic has highlighted the criticality of having robust Emergency Planning arrangements to assist in any Emergency response effort.
6. IT Audit (Network Infrastructure) **(INFORMATION TECHNOLOGY)** **(PRIORITY A)**		12	Commissioning & Transformation	3 year ICT Audit Plan agreed from 2019/20 to 2021/2022 following Audit Needs Assessment.	Unavailability of ICT systems impacts service provision; poorly designed networks compromise data security and increase the risk of cyber attacks. *Note heightened risk of Cyber/Security threats in the current pandemic environment.*	Set out in ICT Audit Needs Assessment document of May 2019.	There is a heightened risk of Cyber/Security threats in the current pandemic environment. Therefore a Network Infrastructure review is appropriate.
7. Income Generation - Commercial Assets & Investments **(FINANCIAL RESILIENCE / COMMERCIALISATION) (PRIORITY A)**		18	Regeneration & Growth	Annual Cycle. Significant financial value. Corporate Priority Area (A Thriving Future for All) . Corporate Risk Register.	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. Inadequate arrangements to identify/raise /recover/monitor rental income due resulting in delays or non-collection; shortfall in achieving overall income target; late repayment of loans resulting in financial penalties; negative publicity resulting in reputational damage.	To ensure robust control processes and governance arrangements are operating effectively regarding the Councils commercial property acquisitions and investments. Review adequacy of systems in place to identify, collect, record and monitor rental income due following implementation of the new Property Managment System. Assess implementation of new governance arrangements recently approved intended to strengthen audit trails relating to decision making. *Assess COVID-19 Risk and Control Implications.*	There is an increased financial risk associated with income shortfall (commercial rental income) and reduced investment returns in the current pandemic environment , acknowledging ongoing monitoring and modelling of the Council's finances is underway.

8. Income Generation- Property Development **(BUSINESS DEVELOPMENT/HOUSING DELIVERY) (PRIORITY B)**	12	Regeneration & Growth	Annual Cycle. Significant financial value. Corporate Priority Areas (Housing/A Thriving Future for All). Corporate Risk Register.	Failure to effectively identify service needs upfront, resulting in developments that are not suitable to meet long term community requirements.Inadequate monitoring arrangements in place for ongoing property development work, resulting in reduced quality outcomes and/or delays in the housing delivery programme increasing pressures in this area; poor value for money from contracted works ;failure to meet regulatory requirements .	To ensure robust arrangements are in place towards achievement of the housing delivery programme , and that the associated systems and processes are operating effectively, giving due regard to key governance requirements. *Assess COVID-19 Risk and Control implications.*	There is an increased risk associated with timely delivery of the work programme and completed developments (translated to housing units) in the current pandemic environment . The dependencies on Contractors/ Suppliers/materials/ Consultants/Workforce availability as well as Health and Safety measures are key ongoing considerations during and beyond the pandemic. There is Government steer however to accelerate buidling works in meeting housing needs.
9. Climate Change **(GOVERNMENT POLICY/REGULATORY) (PRIORITY B)**	12	Commissioning & Transformation/Neighbourhood Services	Significant global threat - climate emergency declared. Corporate Priority Area (Clean, Safe and Sustainable Environment) Corporate Risk Register.	Cimate 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.	In view of the Governments commitment to net zero carbon emissions by 2050 , review the Councils arrangements, plans and monitoring mechanisms . *Note opportunities arising from COVID-19.*	Note original 'Comments' Column. It has already been identified that increased remote working (arising from Covid-19) offers an opportunity to help accelerate some of the required changes in working towards improved environmental sustainability .
10. Core Financial System - Treasury Management **(FINANCIAL) (PRIORITY A)**	13	Accountancy	Annual Cycle (Significant value/volume of transactions)	Core Financial Systems - Financial losses and reputational damage due to fraud, collusion, theft, error, data manipulation or inefficient processes. Discrepancies between feeder systems and the main accounting system/general ledger are not identified/resolved promptly. System integrity issues may result in unsatisfactory customer experience and loss of confidence.	*Recommend quarter 3 or 4 for work to be undertaken to ensure greater coverage of transactions.* Key expected controls will be reviewed and tested for core financial system audits of Treasury Management and Creditors. Light touch review for Debtors. *Assess COVID-19 Risk and Control Implications including increased levels of spend, reduced revenue and impact of deferred recovery action on income due; reduced collection rates; cash flow challenges;reduced investment returns;financial losses.*	Core Financial System work to be undertaken. COVID-19 has implications for all key financial processes and systems. There have been additional expenditure transactions.
11. Core Financial System - Creditors **(FINANCIAL) (PRIORITY A)**	13	Accountancy	Annual Cycle (Significant value/volume of transactions)			
12. Core Financial System - Sundry Debtors **(FINANCIAL) (PRIORITY A)**	3	Accountancy & Customer Services	Audit scheduled every 2 to 3 years. Light touch review to facilitate identification of key risks and control measures (assurance template).			
13. Completion of prioritised audit assignments from 2019/20 plus two deferred assignments (Procurement and Communications) **(PRIORITY A)**	40	Various Service Areas				
Audit Days - Assignments	185					
All other work to support the authority and delivery of the Internal Audit Service (See below)	244					

Contingency/ unforeseen work
(Confidential Investigations; Advice to
Management on risk and control);
Covid-19 Pandemic - supporting Corporate
Emergency Response and Recovery; Advice
on new and developing processes; Review of
emerging best practice; Redeployment and
support to other operational areas; V-BEC
Briefings/
Working groups / Follow Up of Audit
Recommendations / Statutory Requirements
(PSIAS)/ Audit Committee Reports &
associated processes /Member and Senior
Management engagement/ Annual Review of
Audit Effectiveness/ /Annual Audit Opinion/
Input to Annual Governance Statement/
External Audit liaison / Annual Audit Plan
preparation & monitoring/Reprioritisation of
Plan; Resource Planning/ Team & Service
Management/ Contractor Monitoring
/Professional Qualification and CPD training &
miscellaneous .

Corporate Role - Counter Fraud

Total Audit plan Days	429
Current Resource available in Days (1.75 FTE plus Contractor)	429

Audit Committee

23 July 2020

SPELTHORNE
M E A N S   B U S I N E S S

Title	Anti- Fraud, Bribery and Corruption Strategy		
Purpose of the report	To make a decision		
Report Author	Internal Audit Manager, Punita Talwar		
Cabinet Member	Councillor S. Buttar	**Confidential**	No
Corporate Priority	Financial Sustainability		
Recommendations	**The Audit Committee is asked to:** **1. Endorse the updated Council's Anti-Fraud, Bribery and Corruption Strategy**		
Reason for Recommendation	**The Audit Committee is required to make any recommendations for change to the Cabinet.**		

1.   Key issues

1.1   *"All organisations face attack from those who would undertake corruption or commit fraud creating a loss to the taxpayer, reputational risk to the organisation and undermining trust in the government. In an increasingly globalised digitalised world, fraud transcends international borders".* (A guide to Managing Fraud for Public Bodies, February 2019)

1.2   "*Fraud is a significant risk to the UK public sector and has far-reaching financial and reputational consequences. The government estimates that fraud costs the public sector £31 - £49 bn per year and much of this goes undetected. In addition serious and organised economic crime is a national security issue*".   (HM Government, October 2018)

1.3   The government has over the years increased initiatives in response to the growing level of estimated fraud. Fraud is now considered to be the most prevalent crime in the UK and the continued importance of having a defined approach for how Spelthorne will counter fraud, bribery and corruption in the form of a strategy is recognised.

1.4   The Audit Committee is required to review the Council's Anti-Fraud, Bribery and Corruption Strategy annually and to make any recommendations for change to the Cabinet. The Strategy at Appendix 1 forms part of the Council's Constitution and is in line with best practice. The Strategy continues to underpin the Council's commitment to dealing effectively with all forms of fraud, bribery and corruption, demonstrating the important role it plays in the overall corporate governance framework.

1.5   As part of this review, some minor changes are proposed to the strategy and have been highlighted in blue at Appendix 1. These relate to the following sections/references :

- **Codes/Procedures** – self- assessment of the authority's whistleblowing arrangements undertaken. Reference to future review of the Council's Constitution;

- **Systems** –further development of risk management across the Council will encourage Service Managers to identify controls to minimise the risk of errors, fraud, bribery and corruption;

1.6   Various best practice principles promoted in publications such as CIPFA's 'Code of practice on managing the risks of fraud and corruption', 'Fighting Fraud and Corruption Locally' (2016 - 2019) and HM Government functional standard on Counter Fraud (GovS 013 October 2018) have been considered as part of the strategy review, and current activity is deemed as proportionate relative to the perceived risk and size of the authority.

1.7   A number of positive Counter Fraud measures continue to take place and these are summarised below:

❖   Measures led by the Internal Audit Manager are set out in the strategy under 'Detection and Investigation'. These have contributed to promoting awareness of high risk public fraud, as well as best practice measures and collaborative counter fraud initiatives.(Further details below)

❖   Spelthorne has procured counter fraud resource/services from Reigate and Banstead to target high risk public fraud areas which are likely to generate greater financial payback (business rates and housing) as well as wider social benefits. Collaborative working has produced positive outcomes particularly in Housing with enhanced verification for Housing register and homelessness claims.

❖   Increased focus on social housing fraud has been encouraged with registered providers. Pro-active fraud initiatives relating to Business Rates (targeting small business rate relief) continue to be encouraged.

❖   Evidence based fraud reporting system and quantifiable reporting of estimated financial savings (public fraud). Spelthorne's overall cumulative fraud return as at 31.12.19 equates to almost £2.6m (notional savings to the public purse) of which £492k represents cashable savings for Spelthorne (this covers a 5 year period). For the current financial year, notional savings generated between April and December 2019 amount to £111k of which £11k can be quantified as cashable.

❖   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 fraud as well as opportunities to participate in joint data sharing exercises in the fight against fraud.

❖   A review of the Confidential Reporting Code (Whistleblowing Policy), using a benchmarking tool to assess the effectiveness of whistleblowing

arrangements has highlighted some areas for improvement (November 2019) and the policy will be further developed.

❖ The Internal Audit Manager gave a presentation at the staff meetings (September 2019) on the Confidential Reporting Code (Whistleblowing Policy), with a view to raising awareness and highlighting correct reporting channels for raising serious concerns (including fraud and irregularity as well as several other categories). The Whistleblowing poster was reviewed and publicised.

❖ Awareness Raising and Training - Reigate and Banstead Council delivered high risk public fraud awareness training to Housing, Benefits and Customer Services during January 2020 and sessions were well attended.

❖ Further consideration is being given to wider training to help protect the organisation against Fraud, bribery and corruption (for all staff and Members).

❖ Internal Audit provides independent assurance that effective controls are in place to mitigate the risk of fraud, bribery and corruption and issues advice/recommendations for consideration by Management i.e. where it is considered that fraud risks should be more effectively managed.

2.   Options analysis and proposal

Either:

i. To note the current position and accept the amendments proposed to the Anti-Fraud, Bribery and Corruption Strategy. **(Preferred option)**

Or:

ii. To make no changes to the strategy, thereby not reflecting current practices or requirements.

3.   Financial implications

3.1   Resources required (staff time) to implement actions to prevent and detect Fraud, bribery and corruption risks should be contained within existing budgets. There is approved funding for additional corporate counter fraud resource until March 2022 to support Housing, Business Rates and Council Tax. Costs associated with Corporate Fraud awareness training (for all staff) are being explored with a view to being funded from the corporate training budget.

3.2   There may be a requirement from time to time to bring in subject matter experts and investigators to undertake or assist special investigations (relating to suspected internal fraud or irregularity) as there is insufficient capacity within the Internal Audit team to undertake the whole process, particularly given that investigations are often by their nature very resource intensive. Day rates could be in the region of £400 per day. There is currently no specific budget assigned for this purpose.

4.   Other considerations

4.1   Associated risks and consequences of fraud, bribery and corruption include financial losses (potentially high value), reputational damage to the authority, corporate offences (a failure to prevent bribery is now regarded as a corporate offence), significant harm to staff or the local community, and reduced public services for the borough's residents (if resources are exploited by fraudsters).

5.   Timetable for implementation

5.1   There are none.

Background papers: None

Appendices:
Appendix 1 – Anti-Fraud, Bribery and Corruption Strategy

APPENDIX 1 - ANTI FRAUD, BRIBERY AND CORRUPTION STRATEGY

Introduction

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

In this context

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

Corruption means - the dishonest influencing of actions and decisions.

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

2.   The Council recognises that it is already subject to a high degree of external scrutiny of its affairs by a variety of parties. This includes the general public, Council Tax / Business Rates payers, service users, the Local Government Ombudsman, Central Government, in particular, HM Revenue and Customs, the Ministry of Housing, Communities and Local Government and the Department for Work and Pensions.

3.   It also has external auditors who advise whether the Council has in place adequate arrangements for the prevention and detection of fraud, bribery and corruption.

4.   While this external scrutiny assists in protecting against fraud, bribery and corruption the Council believes a clear statement of its own strategy is needed.

5.   The key elements of the Council's strategy to combat fraud, bribery and corruption are:

- An open and honest culture

- Adequate preventative measures

- Systems for detection and investigation

- Understanding and awareness within the Council and the adoption of a "whistleblowing" policy

Culture

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

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

7. The Council encourages Members and staff to raise any concerns they have about fraud, bribery and corruption immediately as they occur. It will treat all concerns raised, seriously and in confidence.This is covered with all staff as part of their induction process.

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

Chief Finance Officer Terry	Responsible for the financial management, audit and financial probity of the Council and also for its proper personnel policies and practices.
Monitoring Officer	Responsible for the legal probity and avoidance of maladministration or injustice by the Council.
Chief Executive	Responsible as Head of Paid Service for the overall management and direction of the Council and for ensuring adequate staff resources for services.

9. In addition each Group Head and senior manager have responsibility for the proper organisation and conduct of their service area.It is important that Managers and officers at all levels do not become complacent about the risk of fraud as this may have an impact in terms of the robustness of controls applied in practice. Please refer to the section on systems below.

10. Concerns should be raised with any of the above officers under section 8 or with the Council's Internal Audit Manager (Punita Talwar).

11. More detailed guidance and advice on how to raise any concerns is contained in the Council's Confidential Reporting Code (whistleblowing policy).

12.If anyone feels they are unable to raise their concerns through any of the above routes they may contact 'Protect' ((0203 1172520 – advice line), a registered charity whose services are free and strictly confidential.

Prevention

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

## 1.	Codes/Procedures

All Members and staff need to be aware of, and have ready access to, the Council's agreed policies and procedures eg. Financial Regulations, Standing Orders, Codes of Conduct, Code of Corporate Governance and any relevant practice and procedure documents. A future review of the Council's Constitution will be led by the Group Head of Corporate Governance. The Governance Framework has been developed and enhanced to reflect the increasing commercial asset acquisitions and investments.

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

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

Members will in particular observe the Spelthorne code of conduct adopted on the 27 June 2012 and subsequently revised on 25 June 2013 any other local Spelthorne code. The Members Code of conduct is kept under review by the Members Code of Conduct Committee. Members will be supplied with a copy of any relevant code, policy and procedure and advised of their responsibilities.

A review of the Confidential Reporting Code (Whistleblowing Policy), using a benchmarking tool to assess the effectiveness of whistleblowing arrangements has highlighted some areas for improvement (reported to Audit Committee November 2019) and the policy will be further developed.

## 2.	Systems

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

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

Chief Executive, Deputy Chief Executives, Group Heads and managers are responsible for ensuring that appropriate internal controls are properly maintained to minimise the risk of errors, fraud, bribery and corruption.

A detailed analysis of the risks associated with any service should be carried out by managers and this is being promoted as part of developing risk management to ensure that fraud, bribery and corruption is minimised.

Detection and investigation

Concerns should be reported to one of the individuals referred to in paragraphs 8 and 10 above or in accordance with the Council's whistleblowing policy.

A detailed investigation of any concerns raised will be undertaken with the assistance of the Council's Internal Audit Service. The Group Head of Corporate Governance holds responsibility for responding to allegations of bribery and corruption. The Council will deal with any instances of fraud, bribery or corruption swiftly. Disciplinary action will be taken if appropriate after the police have been informed/involved, and the relevant Cabinet Member informed where necessary. Where the Council has adopted a prosecution policy for any business area (eg Housing Benefit Fraud or Housing register) this will be followed. Any lessons learnt from Investigations undertaken relating to systematic weaknesses will be highlighted and should feed back into improving fraud prevention/detection measures.

In the event that fraud is suspected on the part of contractors' employees or internally, by staff involved in agency or contract work on behalf of other bodies, procedures and responsibilities for reporting and initial investigation are the same as for staff. The Council will inform and involve employing contractors or agencies when appropriate.

Counter Fraud measures - Given the significance of corporate fraud in national and local statistics and the cost to the taxpayer, the Council recognises the continued importance of collaborative working arrangements with other Councils/Partners to help deter, detect and investigate fraud, providing access to specialist skills and greater capacity to investigate fraud. The strategy to target areas which are likely to generate greater financial payback (Business Rates and Housing) will continue. Such initiatives have demonstrated positive financial fraud returns for Spelthorne (notional and cashable savings) in the areas of Housing, Business Rates and Council Tax and continue to do so. These savings could be enhanced further through the use of Financial Investigator Resource to recover losses/assets (where appropriate). Counter fraud measures also contribute to the delivery of wider social benefits, enabling more social housing to be available to those people who are genuninely in need of a home, leading to a reduction in housing applicant waiting times, reduced temporary accommodation costs and ultimately the need for fewer houses to be built. Positive results are publicised periodically to serve as a deterrent.

External groups are attended with Surrey Partners including the Surrey Counter Fraud Board (SCFB). This enables the sharing of best practice and approaches in tackling public fraud, and provides opportunities to pursue joint counter fraud initiatives such as data matching. The importance of engaging with members of the public to join the fight against fraud is recognised. Spelthorne's fraud returns are collated quarterly and reported to the Surrey Counter Fraud Board, which enables some benchmarking and comparison across Surrey Partners.

Awareness

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

In accordance with the Government's Serious and Organised Crime Strategy, local Police representatives have provided two awareness raising sessions for staff and Members during 2018 to identify areas where Spelthorne is at most risk of being targeted by serious and organised crime and highlight known vulnerabilities. During these sessions the importance of sharing intelligence with Law Enforcement Partners has been encouraged. Organised crime includes drug trafficking, human trafficking, child sexual exploitation, high value fraud and cyber-crime. Further consultation with the local police is ongoing and red flags /known risks will continue to be highlighted. Group Heads and Managers are responsible for assessing governance arrangements in place to combat risks in this area for their respective functions.

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WORK PROGRAMME 2020/21

AUDIT COMMITTEE – 23 JULY 2020

Resolution Required

1.   Work Programme

1.1   This report covers the Work Programme for the forthcoming municipal year 2020/21.

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:-
- **23 July 2020**
- **26 November 2020**
- **18 March 2021**

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

July 2020	Officer	
Draft Corporate Risk Management Policy	Chief Finance Officer	Review
Covid-19 Risk Considerations	Internal Audit Manager	Report
Corporate Risk Management report	Internal Audit Manager	Review/recommend to Cabinet
External Audit update	External Auditors	
Internal Audit Annual Report 2019-20	Internal Audit Manager	Report
Annual Governance Statement 2019/20		Report for approval
Internal Audit Annual Plan 2020-21	Internal Audit Manager	Report
Anti-Fraud, Bribery and Corruption Strategy	Internal Audit Manager	Review/recommend to Cabinet
Committee's Work programme for 2020/21	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report

November 2020	Officer	
Corporate Risk Management	Internal Audit Manager	Review/recommend to Cabinet
Covid-19 Risk Considerations	Internal Audit Manager	Report
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
External Audit Plan update	External Audit	Report
Report on The Effectiveness of the System of Internal Audit	Internal Audit Manager	Report
Internal Audit Interim Report	Internal Audit Manager	Report
Committee's Work programme for 2020/21	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report
Confidential Reporting Code	Head of Corporate Governance	Review

March 2021	Officer	
Corporate Risk Management	Internal Audit Manager	Report/recommend to Cabinet
Covid-19 Risk Considerations	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 2021/22	Internal Audit Manager	Report
External Audit update	External Auditors	
Committee's Work programme for 2021/22	Internal Audit Manager/Chief Finance Officer/Audit Committee	Work Programme

2.3   Other matters for future inclusion: Procurement Strategy

2.4   Any topics identified during consideration of the business at this meeting will need to be included in the above Work Programme.

2.5   Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee, may be included in the Work Programme.

2.6   External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Work Programme or appear on the agenda as appropriate.

2.7   Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not

implemented the recommendations of Internal Audit. It is not possible to predict these circumstances but they will be dealt with as and when they arise either by incorporating into the Work Programme or appearing on the agenda as appropriate.

3.   Resolution

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

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

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

Outstanding items to be added at appropriate time:

Confidential Reporting Code	Head of Corporate Governance
Value for Money Statement 2017/18	External Auditors
Annual Audit Letter 2017/18	External Auditors
External report of Audit and Statement of Accounts 2017/18 (draft received in March 2019)	External Auditors
Value for Money Statement 2018/19	External Auditors
Annual Audit Letter 2018/19	External Auditors
External report of Audit and Statement of Accounts 2018/19	External Auditors
Procurement Strategy	Head of Corporate Governance