



*Please reply to:*

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Date: 20 July 2022

## Notice of meeting

### Audit Committee

**Date:** Thursday, 28 July 2022

**Time:** 7.00 pm

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

#### To the members of the Audit Committee

Councillors:

L. E. Nichols (Chairman)	I.T.E. Harvey	S. Sehmi
R.O. Barratt (Vice-Chairman)	A.J. Mitchell	
T. Fidler	S.J Whitmore	

Substitute Members: Councillors J.R. Boughtflower, S. Buttar, J.T.F. Doran, S.A. Dunn, H. Harvey, R.J. Noble and B.B. Spoor

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

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

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

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## Agenda

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- 1. Apologies and Substitutes**

To receive any apologies for absence and notification of substitutions.
- 2. Minutes** **5 - 20**

To confirm the minutes of the meeting held on 24 March 2022.
- 3. Disclosures of Interest**

To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members.
- 4. Corporate Project Management update**

To note the Corporate Project Management updates
- 5. Risk Appetite Framework update** **21 - 26**

To receive an update on a planned timetable for the Risk Appetite Framework
- 6. The Council's risk exposure to wider externalities and impact** **27 - 44**

To consider and note the report of the Internal Audit Manager
- 7. Corporate Risk Management** **45 - 90**

To note the report by the Internal Audit Manager and make recommendations as appropriate to the Corporate Policy and Resources Committee.
- 8. Annual Review of Internal Audit Effectiveness** **91 - 108**

To consider the Internal Audit Manager's report, overall conclusions and any actions arising.
- 9. Internal Audit Annual Report 2021/22** **109 - 154**

To consider and note the Annual Internal Audit Report for 2021/22.
- 10. Internal Audit Plan 2022/23** **155 - 170**

To receive a report from the Internal Audit Manager.
- 11. External Audit Update**

To receive an update on the work of the External Auditors

**12. Annual Governance Statement 2021/22**

To consider and approve the Annual Governance Statement for 2021/22.

Report to follow.

**13. Draft Unaudited Accounts 2021/22**

To consider and note the draft unaudited accounts for 2021/22.

Report to follow.

**14. Draft Unaudited Accounts for Knowle Green Estates - Verbal Update**

**15. Draft Unaudited Accounts for Spelthorne Direct Services - Verbal Update**

**16. Budget setting process for additional staff**

To consider a report from the Chief Finance Officer.

**17. Committee Forward Plan**

**171 - 174**

To consider and approve the work programme for the municipal year

**18. Re-constitution of Value for Money Task Group**

**19. Exclusion of Public & Press**

To move the exclusion of the public and press in order to discuss the next item in view of the likely disclosure of exempt information within the meaning of Paragraph 3 or Part 1 of Schedule 12A of the Local Government Act 1972

**20. Value for Money Update**

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**Minutes of the Audit Committee  
24 March 2022**

**Present:**

Councillor T. Fidler (Vice-Chairman)

**Councillors:**

J.T.F. Doran

A.J. Mitchell

L. E. Nichols

**Apologies:** Councillor J.R. Boughtflower

**In Attendance:** S. Sehmi, Councillors C. Bateson, M. Beecher and J. Button

**Welcome**

Sandy Sehmi, Independent Member, was welcomed to his first Audit Committee meeting.

**1/22 Minutes**

The minutes of the meeting held on 25 November 2021 were approved as a correct record.

**2/22 Disclosures of Interest**

There were none.

**3/22 External Audit update**

David Eagles, Senior Partner – Public Sector for BDO (the Council's current external auditors), advised that they had not recommenced their 2018/19 audit of the financial statements and looked forward to the conclusion of the KPMG 2017/18 audit so they could work on the Council's outstanding accounts audits.

BDO had completed a compliance review of the Homes England grant and submitted their findings to Homes England.

BDO had also completed their fieldwork on the 2019/20 benefits assurance programme and would submit their draft report in the coming days. There were not many issues to address, and it was anticipated that submission could be made by the end of March 2022 as agreed with the Department of Work and Pensions. The 2021/22 review was scheduled by BDO for summer 2022.

The Chief Finance Officer advised that an update on the KPMG Value for Money (VFM) Opinion would be reported as part of the VFM Working Group update.

**Resolved** to note the update.

#### **4/22 Risk Appetite Framework**

The Internal Audit Manager provided an update to the Committee on progress made in developing the proposed Risk Appetite Framework (RAF), which would help guide how much risk and opportunity the Council would seek and accept to enable consistent, transparent and informed risk-based decisions in delivering corporate priorities and objectives.

The Committee were advised that since their last meeting, further work had been carried out on the RAF and documents presented (risk appetite pack) to a senior management team meeting for discussion. Whilst Group Heads were supportive in principle and recognised the potential benefits, they were concerned about the additional pressure and work on an already overstretched corporate capacity. In view of this, the Internal Audit Manager advised that it was proposed to adopt a 'soft' implementation approach which it was believed would result in improved buy-in over time by providing an opportunity for colleagues to gain greater understanding and familiarity with the concept and lead ultimately to a better outcome.

The Committee asked how it was envisaged that a soft implementation would be implemented and how that might compare to a more formal approach and this was explained. Members considered it essential, rather than desirable, to proceed with a Risk Appetite Framework and that whilst a pilot case might be trialled initially, it was important to set out a timescale and plan for both soft implementation as well as wider and full implementation. The events of the past two years and current issues had highlighted the importance of considering and documenting risk before making any decision.

In response to a question asking if the aim was to achieve a single risk appetite, the Internal Audit Manager advised that it was considered that an overarching appetite for the Council could be limiting as there may be varied risk appetites in different areas, so it would be more appropriate to have several impact measures to which appetite levels could be applied.

It was suggested that it would be beneficial to add a risk section to the Committees report template now and officers agreed that was a sensible step and would demonstrate that risk was being considered.

**Resolved** to:

1. Note the work in progress in developing a risk appetite framework for the Council.

2. Agree the soft implementation of a risk appetite framework for the Council and that a further report including a proposed timeframe and plan is added to the Committee's forward plan for their next meeting.
3. That a risk section be added to the template for future Committee reports.

## **5/22 Homes England Compliance Audit**

The Chief Finance Officer presented a report to the Committee which outlined the results of the Homes England Compliance Audit. The Council had received a grant from Homes England partly funding the development of the White House Hostel and as part of the process had to provide assurance that the Council had met all of Homes England's funding conditions, contractual requirements and also properly exercised their responsibilities in respect of the grant.

Homes England had provided a very concise document reporting on the outcome of the audit which confirmed that all programme requirements and guidance had been met and no breaches identified. The Chief Finance Officer undertook to confirm with Homes England that the report received was the full report and would then circulate it to members of the Committee.

BDO advised that they had been required to complete an online compliance checklist.

In response to a question regarding the selection of the auditor, the Chief Finance Officer advised that it was at the Council's discretion and it had seemed sensible to ask BDO, as the Council's external auditors, to undertake this.

It was noted that the Equality and Diversity section of the accompanying report had been marked as 'not applicable'. The Chief Finance Officer advised that the comment related specifically to the audit process but accepted that it may have been appropriate to add some comment in relation to the project and would note this for the future.

The Committee was pleased to note that the report graded compliance as green. The Housing Strategy Lead Officer and the housing team were thanked for their work as were BDO, the auditors.

The Committee **resolved** to note the outcome of the Compliance Audit.

## **6/22 Corporate Risk Management**

The Corporate Risk Register identifies strategic risks faced in achieving corporate priorities and objectives and how these are managed, monitored and reported.

The Internal Audit Manager presented her report and advised that risks influenced by external factors continued to be highlighted in blue on the

register. The most significant risks were those assigned a red RAG rating and she outlined those risks and mitigation measures. The issues were:

- Housing - Developments and targets
- Affordable Housing
- Economy
- Sustainability and Climate Change
- Corporate capacity/resources/recruitment and retention

The last item, corporate capacity, had recently moved from amber to a red rating. It was acknowledged that recruitment and retention was a national issue that other organisations and, in particular, local authorities were also experiencing. It was relevant to all roles and discussions were ongoing to try to improve the situation.

A member of the Committee commented that the risk register needed to be structurally clearer. There was a blurring or merging of risks and some crossover between controls and commentaries, and consequently a danger that actions may be taken without the actual risk being addressed. Officers acknowledged the concerns were valid, but thought it was important that managers took ownership and provided input to the register and agreed to consider whether a structured framework would assist managers and ensure clarity around controls.

The Committee was informed that the Corporate Risk Register was reviewed by the management team ahead of the Audit Committee cycle. In addition, the Corporate Risk Management Group, drawn from senior management across the organisation, also met on a quarterly basis and reviewed and discussed the register. Previously, the Risk Register was reported to Cabinet on a regular basis to raise political awareness and a recommendation was contained in the report that it should be brought to the attention of other Committees.

The Committee **resolved** to make a recommendation to Corporate Policy and Resources Committee to:

1. Consider the significant strategic risks and issues highlighted in this report with a view to Corporate Policy and Resources deciding on an appropriate course of action.
2. Pursue with Corporate Policy and Resources Committee scope for wider reporting of the Corporate Risk Register and Risk Action Plan across other Committees.

## **7/22 Covid-19 Risk Considerations**

The Internal Audit Manager presented her report which highlighted the pandemic recovery risks for Spelthorne and mitigation measures in place. Those risks affected by external factors were again highlighted in blue. There were overlaps and synergies with the risks in the Corporate Risk Register and, in particular, relating to the economy and finances.



The Committee's view was sought on future risk reporting and whether this should be extended beyond the pandemic to include other factors. It was agreed that it was appropriate to widen the focus to include external factors such as the international political situation, increased energy costs and the rate of inflation. There was some discussion as to whether these risks should be merged into the main Corporate Risk Register or if two separate reports should be retained and the consensus was that it was appropriate to keep them separate.

**Resolved to:**

1. Note the COVID-19 pandemic recovery risk report and Risk Assessment at Appendix 1.
2. For future risk reporting, support redefining the focus from the pandemic to wider externalities impacting the Council and its communities, including the macroeconomic environment and geopolitical uncertainty.

**8/22 Changes to 2022/2023 Accounting Policies for SBC and Group**

The Chief Accountant advised that a new approach was to be adopted to more realistically apply depreciation across the Council's lands and buildings to reflect the likely life expectancy of the various components of the assets. This would apply to the Council's property, plant, equipment and municipal buildings but exclude the investment properties and ensure consistency across the consolidated Spelthorne Group accounts.

The proposals followed Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. The KGE board had been consulted and accepted the proposals.

In response to a question about cash flow implications, the Chief Accountant advised that there would be no direct impact on cash flow, but regular reviews of scheduled repairs to buildings and work required would be factored in as part of the annual budget process.

The Committee asked about the rationale of choosing £5m as the starting point for the new methodology and if there was any provision to inflate that over time. The Chief Accountant advised that the fixed asset portfolio had been reviewed and the aggregate was approximately £1.2m. There were a number of properties around £1m but nothing significant at £5m level and this was being used as a starting point and would be discussed with relevant parties including Audit Committee, external auditors on a regular basis.

**Resolved** to note the changes to the methodology for the Council's property, plant and equipment, including municipal buildings, but excluding investment properties, as these will continue to be valued at 'fair value', in accordance with the CIPFA Code.

## **9/22 Money Laundering Policy**

The Interim Group Head of Corporate Governance advised the Committee that the Money Laundering Policy had been reviewed and updated to ensure it reflected current good practice. The procedures within the policy were still relevant and did not require amendment. The policy formed part of the Council's constitution and therefore required Council's approval of any changes.

The changes proposed reflected the five key principles within the CIPFA Code of Practice, provided details of the roles and responsibilities of officers and moved away from individual names of officers to job titles.

In response to a question about responsibility, the Committee was advised that responsibility for reporting any concerns lay at personal and corporate level. The policy only provided an overview and more detailed information about the procedure was separate to that.

**Resolved** to recommend to Council the adoption of the Revised Money Laundering Policy as set out in Appendix A to the report.

## **10/22 Internal Audit Annual Plan 2022/23**

The Internal Audit Manager outlined the proposed Annual Internal Audit Plan for 2022-23 which demonstrated how the authority would fulfil its statutory and professional requirements. The focus was to review higher risk areas that align with the Council's corporate priorities and objectives but also to ensure sufficient attention was given to any emerging or evolving risks and was designed to be flexible.

Delivery of the plan was conditional upon the appointment of an Audit Apprentice Officer and would have to be revised and prioritised if that resource was not approved. The Committee was advised that the growth bid for an Audit Apprentice had not been prioritised as part of the 22/23 budget and therefore not included in the budget for the forthcoming financial year. An in-year bid would have to be put to the Corporate Policy and Resources Committee and funding identified for the current and future years so this could be considered.

Concern was expressed by the Committee that they were being asked to agree a plan that was conditional upon the appointment of an additional officer and it was suggested that the matter should be deferred to a future meeting so the matter could be addressed. The Internal Audit Manager advised that work would continue in the interim whilst discussions continued about the resource but would be refined to balance priorities.

Further information was requested about the scope and description of some of the audits. Whilst officers were open to sharing those, it would depend on the context and would have to be on a case by case basis. Members were

reminded of the need to be mindful of the independent aspect of the audit team's work, including the direction of work in provision of assurance.

Clarification was sought regarding the commercial asset investment audit listed. The Internal Audit Manager advised that an audit was currently underway and scoped as discussed. A further audit was earmarked for Q4 2022/23 separate to the current work. A further separate audit of the Bluebox system was scheduled for the 2022/23 audit plan with a focus on the housing rental income area, but the timing was dependent on any issues identified from the current commercial assets audit which encompassed commercial rental income elements of Bluebox.

**Resolved** to note the Internal Audit Plan for 2022/23 and that the Plan is referred to the next meeting of the July Committee for further consideration.

### **11/22 Committee's Forward Plan for 2022/23**

The Committee considered its Forward Plan for the forthcoming municipal year.

The Chair had put forward a number of items for consideration by the Committee. The Chief Finance Officer advised that some of those items were already on the Internal Audit Plan, some were not within the Committee's remit and as the coming months were busy for any finance related issues, it was suggested that any additional items were planned for later in the year.

**Resolved** that the Committee's Forward Plan for the coming municipal year be approved subject to the addition of the items previously discussed during the meeting and the following items:

- Budget setting process for additional staff (July meeting)
- Revenue equalisation reserve. (This required some work on strategy first before coming to the Committee but would be added to the Plan as a future item.)

It was moved, seconded **and resolved** to move the exclusion of the Press and Public for the following item in view of the likely disclosure of exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006.

(Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information))

It was agreed that one further issue should be discussed initially with the Interim Monitoring Officer and, if appropriate, added to the Forward Plan at a later date.

**12/22 VFM Task Group update**

The Chief Finance Officer advised that the Knowle Green Estates had received an unqualified audit for the 2020/21 accounts as had Spelthorne Direct Services.

The KPMG Value for Money Opinion had still not been settled; discussions were continuing and of a confidential nature so only limited information could be divulged. KPMG had given an indication of the conclusions they were minded to make and the Council had responded through the VFM Task Group. A further response from KPMG was awaited advising to what extent those comments had been considered and how they intended to bring the matter to resolution.

**Resolved** to note the update.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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# Audit Committee

28 July 2022



<b>Title</b>	<b>Risk Appetite Framework – Timeline for Implementation</b>
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	Community Affordable housing Recovery Environment Service delivery
<b>Recommendations</b>	<b>Committee is asked to:</b>  <b>Note the proposed timeline for ‘soft implementation’ of a Risk Appetite Framework for the Council.</b>
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

- 1.1 The rationale and benefits in adopting a Risk Appetite Framework for Spelthorne and the preference for a gradual implementation has been discussed with the Audit Committee, Management Team, Group Heads and Corporate Risk Management Group. Developments have been reported at the November and March meetings of the Audit Committee.
- 1.2 This report seeks to set out a proposed timeline for ‘soft implementation’ of a Risk Appetite Framework for the Council, as well as an outline of the stages already undertaken and those envisaged in working towards ‘full implementation’.

## 2. Key issues

- 2.1 The Internal Audit Manager has presented proposed timelines for ‘soft implementation’ and ‘full implementation’ of a Risk Appetite Framework (RAF)

to the Corporate Risk Management Group in June, and a refreshed version is set out in the tables below:

(a) **RAF – Soft Implementation**

Soft Implementation - Proposed stages	Is there an example/template in the Risk Appetite Pack demonstrating how the RAF could be applied to this area ?	Current status and Progress	Envisaged Timeframe for soft implementation & Next Steps.
1.Service Planning	Yes – shared with MAT + 30.11.21 and Audit Committee 24.3.22	Group Head Commissioning & Transformation has confirmed risk appetite considerations now form part of Service Plan templates.	To align with the budget process for 2023/24. Timeline for submission of next cycle of service planning is <b>September 2022</b> .  In embedding a risk management culture, Services to give conscious thought to risk appetite in making decisions.
2.Decision making and governance – Committee Reports	Yes – shared with MAT + 30.11.21 and Audit Committee 24.3.22	A “Risk Considerations” section has been introduced in the Committee report template, providing an opportunity for report authors to outline risk implications.	A “Risk Considerations” section has been added to the Committee report template – <b>March 2022</b> .  It does not specifically prompt the author to consider risk appetite, but is a positive step in working towards further embedding risk management.
3. Project Management	No	Group Head Commissioning & Transformation has advised that Project management methodology incorporates risk considerations.	Timeline proposed <b>end September 2022</b> to align with service planning.  Project related decisions (including whether to proceed with a project) to align with identified risk



			appetite for relevant impact measure (refer to RAF documents linked with stage 5 on full implementation table at 2.9 b).
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(b) **RAF – Full Implementation – proposed stages**

Full Implementation stages	Current status	Envisaged Timeframe for implementation	Lead Officer(s)
1. Identify Risk Appetite levels to be used for Spelthorne	Completed – 4 levels identified	Completed September 2021	Internal Audit Manager and External Consultant
2. Identify impact measures against which risk appetites can be measured	Completed – 6 measures identified	Completed September 2021	Internal Audit Manager and External Consultant
3. Raise awareness and understanding regarding the principles and rationale underpinning the introduction of a RAF for the Council	Completed	Completed – Papers, discussions and presentation with MAT , MAT +, Audit Committee September 2021 October 2021 November 2021 March 2022	Internal Audit Manager and External Consultant
4. Articulate risk appetites for Spelthorne across each of the identified impact measures	Completed	Completed November 2021 Paper to MAT +	Internal Audit Manager and External Consultant
5. Consider where Spelthorne’s risk appetite sits across the identified impact measures (CURRENT AND FUTURE DIRECTION)	Completed	Completed November 2021 Paper to MAT +	Internal Audit Manager, Chief Finance Officer and former Group Head of Corporate Governance
6. Members to meet with MAT/MAT+ to discuss and formally agree where the Council’s risk appetite currently sits across the range of	To be actioned.	To follow soft implementation. <b>Proposed Autumn 2022.</b>	Members and MAT/MAT + It is recognised that appetite perceptions (current and future) may differ between Officers

identified impact measures (note we are proposing a range of appetites applied across the impact measures)			and Members, and such discussions are important in establishing and agreeing the appetites.
7. Members to formally approve the range of Risk appetites for the Council	To be actioned.	To follow soft implementation. To follow stage 6 <b>Proposed Autumn 2022.</b>	Members. Corporate Governance to advise if approval to go via Full Council or other Committee.
8(i) Refresher awareness raising session for Group Heads and Managers.  8.(ii) Embed RAF within Committee reports (where a proposal is put forward requiring a decision)	Progress made. Template prepared (within risk appetite pack) to demonstrate how Officer proposals align to the approved Council risk appetite (s). Where they fall outside of appetite, consider any risk implications and wider consequences	8(i) <b>Proposed Autumn 2022</b> to follow stage 7.  8(ii) To follow soft implementation. To follow stage 7 <b>Proposed November 2022.</b>	8(i) Internal Audit Manager to attend MAT+ or Managers Briefing.  (ii) Committees Team/Committee Manager template can refine the initial draft template as deemed necessary – <b>Autumn 2022.</b>  All Committee report authors making a proposal that requires a decision – <b>November 2022.</b>
9. Continue to apply a risk appetite framework through integration with corporate processes, corporate risk management, service management and internal audit reviews	To be actioned.	To follow soft implementation. To follow stage 8  <b>Proposed January 2023</b> to allow time for application across relevant processes and areas.	All Group Heads and Managers; Internal Audit Manager
10. Cyclical monitoring and review of stage 6 is recommended in line with best practice given that Council risk appetites are unlikely to stay stagnant	To be actioned.	To follow soft implementation. To follow stage 9. <b>Cyclical (annual) review .</b>	Members and MAT/MAT +

### 3. Options analysis and proposal

- 3.1 Option 1 - It is proposed that the stages outlined in the table above at 2a are undertaken as part of the initial phase - soft implementation of a Risk Appetite Framework for the Council. It is proposed that the stages outlined in the second table above at 2b are necessary to ensure an effective full implementation of a Risk Appetite Framework for the Council. The rationale and benefits for the Council in adopting a RAF have been previously reported to MAT, MAT+ and the Audit Committee. Essentially it is a tool that will guide how much risk (and opportunity) the Council is willing to seek and accept to enable consistent, transparent, and informed risk-based decisions in delivering corporate priorities and objectives.
- 3.2 Option 2 – Do nothing. As a result the Council’s level of risk maturity will not develop in terms of articulating, demonstrating and applying its risk appetite(s) as part of decision making, risk management, service management and delivery of corporate priorities and objectives.
- 4. Financial implications**
- 4.1 There could be significant adverse financial consequences if Council decisions do not align with the Council’s risk appetite for the ‘financial’ impact measure. This may also apply where decisions are delayed with consequences for effectively delivering corporate priorities and objectives.
- 4.2 There are no additional resources assigned for implementation of a RAF, so it is assumed they will need to be contained within existing budgets.
- 5. Risk considerations**
- 5.1 Implementing a risk appetite framework for the Council is a positive and necessary development in the Council’s overall level of risk maturity. It meets recommended professional best practice in risk and opportunity management.
- 5.2 The impact of overstretched corporate capacity in progressing full and continuous implementation of a RAF has already been taken on board from Officer feedback (MAT, Group Heads and Managers). The gradual approach to implementation of a RAF over the course of around 18 months (from initial work undertaken in August 2021) as indicated in the proposed timeline under section 2 is intended to help alleviate some of these pressures.
- 5.3 A comment raised by some Officers is around over how this initiative will add value to the Council. Once such a framework is actively trialled and applied over the course of time, it is envisaged this will provide an opportunity to gain further insight of increased integration, alignment and coherency across the Council’s decision making, governance, risk management, key corporate processes, and service provision.
- 6. Legal considerations**
- 6.1 The level of risk exposure to statutory requirements will form an important consideration for Members and Managers in determining risk appetite levels.
- 7. Other considerations**
- 7.1 There are none.
- 8. Equality and Diversity**
- 8.1 In progressing the implementation of a risk appetite framework and applying it over time across corporate processes, the Council should define what it sees as its risk appetite level when considering equality and diversity. This will help

to determine and demonstrate proportionate action that aligns with the risk appetite set in responding to risks and opportunities.

**9. Sustainability/Climate Change Implications**

- 9.1 In the proposed RAF, 'delivery of corporate priorities' represents one of the defined impact measures against which risk appetites levels are articulated. This will help to determine and demonstrate proportionate action for Climate Change as a corporate priority area that aligns with the risk appetite set in responding to risks and opportunities.

**10. Timetable for implementation**

- 10.1 Please refer to the proposed implementation timetable set out under sections 2a and 2b.

**11. Contact: Punita Talwar, Internal Audit Manager**

[P.Talwar@spelthorne.gov.uk](mailto:P.Talwar@spelthorne.gov.uk)

01784 446454

**Background papers: There are none.**

**Appendices: There are none.**

# Audit Committee

28 July 2022



<b>Title</b>	The Council's risk exposure to wider externalities and impact
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/A
<b>Corporate Priority</b>	<p>This report and risk assessment outlines the Council's risk exposure to wider externalities impacting the effective delivery of all corporate priorities (CARES).</p> <p>Community Affordable Housing Recovery from Covid Environment Service Delivery</p>
<b>Recommendations</b>	<p>The Audit Committee is asked to:</p> <p>(i) Note the report setting out the impact and broader implications of wider externalities to the Council and its communities, and the supporting risk assessment at Appendix A. Two major externalities of significance (in terms of impact) include the macroeconomic environment and geopolitical uncertainty – some explanation of this terminology is given below.</p> <p><b>Macro-economic environment</b> <i>This focuses on the aggregate changes in the economy as a whole such as unemployment, growth rate, GDP, and inflation. References to the Cost-of-Living crisis link directly to inflationary pressures.</i></p> <p><b>Geo-Political risk</b> – <i>The risk associated with wars, terrorist acts, tensions between states that affect the normal course of international relations.</i></p> <p>(ii) Note the close linkages and common themes between the significant risks and issues facing the Council raised in this report and the separate Corporate Risk Management report (also on the Committee agenda)</p>
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

1.1 This report seeks to highlight significant risks for Spelthorne where the impact of wider externalities such as the macroeconomic environment and geopolitical situation on the Council and the communities served have been most prevalent, and key control and mitigation measures underway. For the Council, these wider externalities have had the most profound impact on the following broad risk categories:

- Economic activity and prosperity
- The Council's financial position (sustainability and resilience)
- Housing and Communities

1.2 The report also recognises the wider effect of externalities across services, operations, and society in general, with implications for Council priorities.

## 2. Key issues

2.1 As previously reported, those risk categories and specific risks that are adversely influenced by wider externalities (as referred to earlier under 1.1) represent areas where the Council has limited, or no direct control. Whilst the Council is taking steps to manage the risks and issues presented by these wider externalities, this is likely to be influenced by ongoing uncertainty regarding the external environment, along with emerging and evolving external pressures. (This contrasts with non-externality risks that can generally be more effectively mitigated and controlled through local council actions to influence positive outcomes in delivering objectives).

2.2 The Wider Externalities Risk assessment is set out at Appendix A which sets out the specific risk descriptions identified under each broader risk category (Economy, Finances, Housing and Communities), as well as the controls and mitigation measures (as advised by Services) to manage identified risks. It includes any further actions underway or for perusal, including some new actions. A RAG rating is applied to risks so they can be prioritised for action and given due focus in accordance with significance. Most of these risks are assessed as red, and therefore require prompt action and regular monitoring.

2.3 The Council's risk exposure to wider externalities and associated impact are summarised below at 2.3 (a) to 2.3 (c). An outline of some corresponding risk management measures being pursued are highlighted, as well as any residual risks to be acknowledged. There are inevitably overlaps and synergies with the significant risks highlighted in the separate Corporate Risk Register report, particularly around the Economy and Finances. These risks will continue to impact delivery of corporate priorities. It is acknowledged that the Council is commissioning an LGA Peer review in November 2022 with a view to ascertaining how we can further improve addressing key organisational challenges in the evolving external environment.

### (a) Economic Prosperity – red risk category A.

In the context of the economy the impact of wider externalities remain hugely significant, comprising volatility of the global economy, an accelerating rate of inflation (UK inflation reached a new 40-year high of 9.1% in May 2022 and is

forecast to increase further), post-brexite environment, geopolitical instability and the Ukraine crisis. All these external factors combined are continuing to place enormous pressure and strain on the following areas, with consequential effects:

- Supply chains disruptions due to changes in migration and trading regimes following Brexit, as well as surges in consumer demand as we emerged from the pandemic. Continued labour shortages as well as international political sanctions against Russia have further impacted supply chains across various industries and sectors creating bottlenecks and leading to shortages of certain goods, services, consumables, materials, commodities, and subsequently surging prices. This inevitably places increased strain on local businesses, household budgets, Council Services, Council budgetary and financial position. Food shortages and increased costs create further reliance on community services such as foodbanks.
- As UK wage growth is on average significantly lower than the rate of inflation, the cost-of-living crisis is a major issue impacting businesses, consumers, residents, local economic prosperity and the Council's financial sustainability. This also presents wider threats of industrial action across some parts of the public sector and is likely to increase risks around unfilled Council vacancies which have been separately highlighted on the Corporate Risk Register under recruitment and retention risks.

The refreshed Economic Prosperity Strategy covering 2022 -2027 is due to be considered by the Economic Development committee for final adoption on 29 September 2022. This will also incorporate any residual actions from the economic elements of the corporate recovery plan. The aviation sector has been particularly slow to recover from the pandemic as well as being hit by wider challenges, and of course Spelthorne's proximity to Heathrow with the airport representing a major local employer makes the impact more profound. The discretionary Additional Restrictions grant scheme has been fully allocated to support businesses and local economic recovery, with all funds spent by 31 March 2022 to meet timeframes stipulated by central government.

Challenges of the macro-economic environment on local economic activity continues to place demands on a range of Council Services and significantly impacts the Council's financial position. This is elaborated further under 2.3 (b) below.

**(b) Financial Sustainability and Resilience red risk category B.**

*(Please note that some of the following narrative is also included in the Corporate Risk Register report as it is deemed relevant).*

As already highlighted earlier under section 2.3 (A), we continue to experience an escalating cost of living crisis because of a combination of factors including the recovery from the pandemic, post-Brexit, geopolitical situation, the rising cost of goods and services, steep increases in energy/fuel/food/household and inflationary pressures. This is adding

significant cost increases to Spelthorne's revenue and capital expenditure, presenting an adverse impact on the Council's financial and budgetary position. In particular, the inflationary pressures continue to have a major impact on progressing the Council's Housing delivery programme and delivering targets, with further viability assessments of proposed and approved residential development schemes due to be undertaken to analyse the financial cost effect of increased PWLB loan rates and rising inflationary pressures relating to construction/materials/labour/transportation costs. To ensure financial viability of schemes, as well as taking on board the delays, adaptations to property developments continue to be reviewed to ascertain workable solutions, which may now require expanding the size of developments.

The above pressures therefore present threats to sustainability of Council services, also affecting local businesses and communities, as well as suppliers and Contractors. There is also greater pressure on delivering Council services due to increased demands and implementation of new schemes on top of 'Business as usual'.

A report is going to Corporate Policy and Resources Committee in July quantifying the financial impact of inflationary pressures, increased PWLB loan rates and other relevant factors on the Council's budget, reinforcing the need to make efficiency savings to address the anticipated budget deficit for current and future years. An inflationary pressure contingency reserve is being proposed to assist with the predicted budget deficit, subject to Council approval. Other financial constraints and mitigation measures are to take effect such as a moratorium on additional growth/resource for 2023/24 unless it meets a statutory need or externally funded.

The collection fund is monitored regularly to assess the impact of the cost-of-living crisis on rates of collection for Council Tax and Business Rates, as the ability for local businesses and households to pay becomes more challenging. The government energy rebate scheme has been implemented to support eligible residents with rising gas and electricity costs, as well as a discretionary element.

Increased risks of fraud and theft are widely recognised as being more prevalent during periods of economic challenge and rising living costs. This is therefore a matter to remain vigilant too, which could have a knock-on effect on delivery of Council services to local communities if scarce resources are abused and diverted to opportunists, leading to financial losses. In addition, increased cost of living may encourage anti-social behaviour in some individuals and other problems such as fly tipping may well be on the increase.

#### (c) Housing and Communities – red risk category C.

The geopolitical situation and the war in Ukraine have led to significant levels of refugees fleeing conflict. This humanitarian crisis (externality) has required council services and other voluntary/charitable organisations to offer help and support. Under the government funded assistance scheme Spelthorne have provided support to Afghan Families and to refugees from Ukraine. Dedicated



support workers have been appointed to assist families settle into a new environment.

The international political situation (Ukraine crises) continues to impact supply and availability of certain food groups and agricultural commodities, resulting in rising prices to the consumer. The impact of this on the most financially vulnerable households is significant. As mentioned also under 2.3 (a), food shortages and increased costs create further reliance on community provision such as foodbanks, and the Council supports this facility.

### **3. Options analysis and proposal**

- 3.1 To note and accept the contents of this report and the Risk Assessment at Appendix A setting out the Council's risk exposure to wider externalities and impact/implications for the Council, local communities and businesses, including any risk mitigating actions underway or for perusal. The Risk Assessment at Appendix A is considered to be an accurate reflection of the Council's risk areas where wider externalities are having the most profound impact. It includes the application of the corporate risk scoring model and RAG rating based on our assessment of risk and controls in operation. (Preferred option)

**Or:**

- 3.2 To recommend amendments to wider externalities risk reporting for consideration by the Corporate Risk Management Group.

### **4. Financial implications**

- 4.1 As previously reported, there are major financial implications arising from the the Council's risk exposure to wider externalities, as discussed under section 2.3 above. Unless the Council addresses these issues, there is a threat that the Council will not be able to meet its statutory obligations in delivering essential services given the major inflationary pressures and significant adverse costs being generated and likely to worsen, and neither will it be able to effectively deliver corporate priorities. As referred to under section 2.3, a report is going to Corporate Policy and Resources Committee on 11 July setting out the adverse financial and budgetary position for the Council arising from the extremely challenging inflationary pressures, and the mitigating steps being taken/proposed.

### **5. Risk considerations**

- 5.1 This report supported by the risk assessment at Appendix A sets out the Council's risk exposure to wider externalities (specifically the macroeconomic environment and geopolitical uncertainty). Appendix A encapsulates three broad risk categories (Economic prosperity, Financial sustainability and Housing and Communities) representing those areas where the externalities continue to have the most profound impact for the Council and its communities. Specific risk considerations, implications and wider consequences are identified and articulated, as well as the current controls and mitigation measures in place or planned to manage these risks.

## **6. Legal considerations**

- 6.1 Please refer to issues raised at section 4.1 with reference to meeting statutory obligations in delivering essential services.

## **7. Other considerations**

- 7.1 As part of the forthcoming LGA Corporate Peer review planned for November 2022, this process will provide continued direction and insight in supporting the Council to address its significant strategic risks, considering overlapping themes around developments, housing, supporting communities and finances.

## **8. Equality and Diversity**

- 8.1 Under the government funded assistance scheme Spelthorne have provided support to Afghan Families and to refugees from Ukraine. Dedicated support workers have been appointed to assist these families and communities settle into a new environment and advise on how they can access relevant services and facilities.

## **9. Sustainability/Climate Change Implications**

- 9.1 There are no specific implications.

## **10. Timetable for implementation**

- 10.1 The Council's risk exposure to Wider Externalities and supporting Risk Assessment is to be reviewed and updated periodically as part of the Audit Committee work programme for 2022/23. There are no other specific timeframes to highlight, other than where timing is indicated by Officers for progressing further actions in the risk assessment (note last column at Appendix A).

## **11. Contact Internal Audit Manager, Punita Talwar.**

[P.talwar@spelthorne.gov.uk](mailto:P.talwar@spelthorne.gov.uk)

01784 446454

**Background papers: None other than general economic discussion sources**

### **Appendices:**

**Appendix A – Risk Assessment – The Council's Risk Exposure to Wider Externalities and impact**

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**

(June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

The Risk Assessment focuses on wider externalities each representing significant risk impact to the Council, its operations and local communities. The extent to which these risks can be reduced and mitigated continue to be significantly impacted by evolving externalities.

The main externalities considered and highlighted in the risk assessment include:

**Macro-economic environment** *This focuses on the aggregate changes in the economy as a whole such as unemployment, growth rate, GDP, and inflation. References to the Cost-of-Living crisis link directly to inflationary pressures.*

**Geo-Political risk** – *The risk associated with wars, terrorist acts, tensions between states that affect the normal course of international relations.*

Please refer to the bottom of this document for the ‘Risk Scoring Matrix’ and plotting of these risks to determine relative significance and prioritisation. Elements of risk categories A, B and C are also referred to in the Council’s Corporate (strategic) risk register.

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p><b>A. ECONOMIC ACTIVITY</b>  <b>RED RISK</b></p> <p><u>(i)Risk:</u> Challenges of the macro-economic environment on local economic activity continues to place demands on a range of Council Services and impacts the Council’s financial position (the impact on the Council’s</p>	(i)3	(i)4	<p>Periodical updates to the Economic Development Committee regarding the recovery plan actions were drawn to a close in June 2022 as part of the transition to developing the new Economic prosperity strategy (see actions column).</p> <p>Several initiatives were set up some time ago to support economic recovery with some examples as follows :</p>	<p><b>ONGOING ACTION:</b> The local economic situation is regularly reviewed and reported, considering the inflationary pressures and Cost of Living crisis.</p> <p><b>ONGOING ACTION: Reviewed June 2022</b> Regular reporting on actions and tasks completed / in progress takes place at the Economic Development Committee. On 9 June 2022, the</p>

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**

(June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p>finances is highlighted under section B).</p> <p><b>(ii)</b> Risk: Whilst Council actions aim to support and influence sustained economic recovery and growth, these alone cannot control outcomes due to the macroeconomic environment, global drivers, geopolitical uncertainty - conflicts in Ukraine and political sanctions. These factors present uncertainty for the global economy and worldwide inflation.</p>	(ii)3	(ii)4	<ol style="list-style-type: none"> <li>1. A review of reports and surveys by relevant organisations to fully understand the adverse impact on employment and the aviation section.</li> <li>2. Council working with Enterprise M3 (Local Enterprise Partnership) to promote ‘Job Fuse’ as a means of brokering new job opportunities.</li> <li>3. Small business incubator is operational.</li> <li>4. Youth Hub will increase the accessibility to job, training, and employment opportunities for NEETs, and offers wellbeing support.</li> <li>5. Appointment of a Town Centres Manager who is developing individual action plans for Ashford, Shepperton and Sunbury.</li> <li>6. Various other initiatives of a collaborative nature.</li> </ol>	<p>members of the committee noted the final update report on the recovery action plan. (The 6 ongoing actions will be incorporated into the Economic Prosperity Strategy so they are not lost).</p> <p><b>ACTION IN PROGRESS (Reviewed June 2022)</b> – The Economic Prosperity strategy is being reviewed and is due for a complete refresh (to cover 2022 - 2027). Some key elements and actions were considered and noted by the Economic Development Committee on 25 January 2022. The final draft of the strategy will be considered by the committee for final adoption on 29 September 2022.</p>
<p>iii. Risk: Uncertainty and volatility for global economy. UK inflation has hit a new 40-year high of 9.1% in May 2022, putting increased pressure and strain on businesses (threat</p>	(iii)4	(iii)4	<p>Financial support for businesses has been made available through the Additional Restrictions Grant (ARG) applied up to 31 March 2022. This is a discretionary grant scheme. The Additional Restrictions Grant (ARG) task group agreed direction for spending the remaining ARG fund monies in</p>	

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**  
 (June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p>of business failure), households, and the Council’s budget. The escalating cost-of-living crisis impacts economic prosperity and recovery.</p> <p>iv. Disruptions to supply chains caused by a range of factors (changes in migration and trading regimes following Brexit; surges in consumer demand; continued labour shortages; international political sanctions). This has led to shortages of certain goods, services, consumables, materials, commodities, and subsequently surging prices, placing increased strain on local businesses, household budgets, Council Services, Council budgetary and financial position.</p>	(iv)4	(iv)4	<p>supporting businesses, focussing on equipment, support and training.</p> <p>Economic Development committee remit includes scrutiny of budgets and grant spend.</p>	

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(June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p>v. In the context of major challenges being faced by the aviation sector (eg staff shortages/industrial action), Spelthorne’s proximity to Heathrow impacts local economic prosperity. Heathrow represents a major employer in the area and facilitates business activity.</p> <p><i>(Economic news sources: Average UK wage rises are below half the inflation rate with demands for wage increases across some professions/sectors; threat of summer of discontent and industrial action; job vacancies may remain unfilled for key public services; Retail sales nationally are reported to have fallen in May 2022)</i></p>	(v)3	(v)4		

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**  
 (June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p><b>B. FINANCIAL SUSTAINABILITY AND RESILIENCE</b> – <i>The following risks arising from wider externalities are highly likely or almost certain to lead to an adverse impact on the Council’s financial position thereby impacting sustainability and resilience.</i></p> <p><b>RED RISK</b></p> <p>(i) <u>Risk</u> - Significant financial cost implication for the Council associated with the</p>	(i)4	(i)3	<p>In February 2022, Full Council approved balanced budget for 2022/23. At the time, the following three years (2023-24 to 2025-26) also balanced.</p> <p>Medium term financial strategy. Budget process for 2023/24 brought further forward to provide timely opportunities to review. Reserves Strategy refreshed and approved by 7<sup>th</sup> February 2022 Corporate Policy and Resources Committee.</p> <p>Monitoring tax base and collection fund deficits and assessing impacts on the current/future budgets.</p>	<p><b>ONGOING MONITORING (Reviewed June 2022):</b></p> <p>The Local Government Provisional Funding Settlement in December 2021 has provided the detail of funding arrangements at an individual council level. However subsequent Local Government Funding Settlement only provided details for one year, so there is no medium-term funding certainty for councils. Recent indications from DLUHC suggest there are unlikely to be any major funding formulae/methodology changes for the 2023/24 Local</p>

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**

(June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p>macro-economic environment, in particular the impact of rising inflationary pressures such as energy, fuel and household costs on balancing the budget, as well as rising base rate interest rates, increased PWLB borrowing rates, and financial impact of geopolitical situation.</p> <p>(ii) <u>Risk</u>: Rising inflationary pressures have led to significant increases in construction costs (materials, shipping and labour), therefore adversely impacting the overall cost, and financial viability of residential property development schemes. This has led to further assessments to determine how the authority can break even.</p>	<p>(ii)4</p> <p>(iii)4</p>	<p>(ii)3</p> <p>(iii)3</p>	<p>Identifying and monitoring the increased cost of residential property schemes with further financial viability assessments planned.</p> <p>Longer term modelling to assess impact of stock market and pensions. Triennial Surrey pensions fund valuation undertaken by actuaries as at 31 March 2022- currently Surrey Pension has recovered well and achieving full funding levels.</p> <p>Sinking funds reserves set aside for commercial investments as a prudent measure and funds increased from £26m to £34m at the end of 21-22.</p> <p>Financial impact assessment /scenario modelling is undertaken regularly. Ten year worst and best case sinking fund scenario projections are reviewed on a fortnightly basis and will be shortly extended to a 20-year time frame. Expected case scenarios also highlighted.</p> <p>Continued weekly monitoring of commercial asset income due/any shortfalls</p>	<p>Government Funding Settlement. Changes may take place in 2024/25.</p> <p><b>ONGOING MONITORING (Reviewed June 2022):</b> Periodical progress updates are reported to Audit Committee regarding the action plan arising from the LGA Finance Peer Review recommendations. Any synergies between this and the CIPFA Financial Management Code, Self-Assessment are also undertaken.</p> <p><b>REVISED ACTION IN PROGRESS (Reviewed June 2022):</b> The finance team continue to assess and report on the significant financial impact of inflationary pressures and other external pressures on services and budgets for current and future years, highlighting anticipated budget gaps. Updated Budget pressures report going to 11<sup>th</sup> July</p>



**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**

(June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p>(iii) <u>Risk</u>: The Cost-of-Living crisis has wide reaching implications for the borough, its residents and businesses including lower living standards, challenges in paying bills (such as Council Tax and Business Rates) leading to reduced taxbase income for the Council. This coincides with increased costs for the Council such as provision of financial support for leisure centres. There are also increased risks of fraud and theft during periods of economic challenge, as well as greater levels of anti-social behaviour leading to financial losses/reputational damage and diversion of Council scarce resources.</p>	(iv)4	(iii)3	<p>anticipated. (99.98% collection rate for 21/22). Currently 95% of the investment asset portfolio occupied. We are making progress in lettings and are moving towards 78% let on the one asset with significant unlet space.</p> <p>Bluebox software system is currently being used for raising, collecting, and monitoring single tenant rents in investment properties from June 2021.</p> <p>A weekly review of all investment and regeneration assets (including Elmsleigh) is undertaken which covers rent collection, lease negotiations, arrears and sinking fund expected and worse case scenarios.</p> <p>Liquidity and cash flow forecasting and monitoring / Treasury Management to assist planning for increased levels of expenditure and monitoring of market activity. Periodical review of strategies and regular advice from external Treasury Management advisors.</p> <p>Counter Fraud strategies for the Council.</p>	<p>PCRC identifying additional inflationary pressures of approximately £1.2m impacting on the 2023/24 budget and making recommendation about a range of mitigating actions. Contingency reserve being proposed to assist with the predicted budget deficit, subject to Council approval.</p> <p><b>ACTION IN PROGRESS (Reviewed June 2022):</b> Individual business plans for each of the Council’s investment assets are under development. A template for plans agreed by Development Sub-Committee. A further batch of business plans will be taken in due course to Development Sub-Committee.</p> <p><b>ONGOING ACTION (Reviewed June 2022):</b> Development Sub Committee of Corporate Policy and Resources receives regular</p>

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**  
 (June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p>(iv) <u>Risk</u> - Significant negative impact on residents, businesses and local communities if Council Services are unable to meet need in delivering services due to financial pressures, constraints and a requirement to generate further savings.</p>				<p>monitoring reports for scrutiny on the performance of the Investment portfolio. This includes an annual performance report.</p> <p><b>ONGOING ACTION (Reviewed June 2022):</b> Monitoring of Business Rates and Council Tax collection levels. Deferral by a year of Fair Funding Review and Business Rates 75% retention has been delayed at least a further year. Fair funding review and business rates reset may happen in 2023-24.</p> <p><b>NEW ACTION ADDED: JUNE 2022</b>                      As set out at Budget Briefing 21 June 2022 a number of steps are being taken to tighten the 2023-24 Budget process including implementing a moratorium on growth FTE bids except where</p>

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 (June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
				<p>required for statutory purposes or externally funded.</p> <p><b>NEW ACTION ADDED: JUNE 2022:</b>                      Due to undertake a review of sinking fund methodology and strategy during summer 2022.</p> <p><b>NEW ACTION ADDED: JUNE 2022</b>                      Energy rebate scheme to support households with increased cost of living, led by Councils and introduced during quarter 1 of 2022/23.</p>
<p><b>C. HOUSING AND COMMUNITIES</b></p> <p><b>AMBER and RED RISK</b></p> <p>(i) Risk: Increased levels of homelessness. Some of the causes include greater threat of eviction due to financial pressures felt by households attributed to the worsening Cost of Living Crisis. This is further</p>	(i)3	(i)3	<p>(i)Housing Service discuss options with tenants at the outset to minimize risks of landlord eviction.                      Government funding to assist vulnerable families that are in rent arrears and to prevent homelessness.</p>	<p>Please also refer to the Corporate Risk Register (risk category 1B- Housing – Affordable).</p> <p><b>NEW ACTION ADDED: JUNE 2022 (Note this action also applies to risk category B above)</b> Energy rebate scheme to support households with increased cost of living, led by Councils and</p>

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**

(June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p>exacerbated by delays in delivery of the Council’s Housing Delivery Programme impacting the achievement of affordable housing provision, as well as meeting wider housing needs.</p> <p>(ii)Impact of geopolitical situation and Ukraine crises on food supply chains with reduced availability for some staple food items, leading to consumer price increases impacting all communities and particularly effecting the most financially vulnerable households. Agricultural commodities such as fertilizers to support mass production can no longer be imported from Ukraine , impacting supply chains, food price increases and shortages.</p>	(ii)3	(ii)3	<p>(ii) Foodbank support is available for Spelthorne residents.</p> <p>Council Tax Energy rebate scheme introduced by government to help protect households from rising energy costs. This includes a £150 council tax energy rebate to all households whose primary residence is valued in Council Tax Bands A to D. Discretionary fund for households in need who are not eligible under the main scheme. Customer services team at SBC have implemented the scheme.</p>	introduced during quarter 1 of 2022/23.

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**

(June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures and Mitigation	Risk or Issue Action Plan
<p>iii) Geopolitical situation (Ukraine conflict) has led to humanitarian crises. In supporting refugees from Ukraine the Council along with partners holds a pivotal role in responding to and coordinating essential needs including safe and secure housing provision.</p>	<p>(iii)4</p>	<p>(iii)3</p>	<p>(iii) Measures to support Afghan and Ukrainian refugee families under the relocation and assistance scheme (Home Office Funding of temporary accommodation for refugees). Some members of the local community are supporting refugees in their homes. 2 Ukrainian support workers have been appointed.</p>	<p><b>NEW ACTION ADDED: JUNE 2022</b>                      Costs incurred are being monitored and submitted to SCC/Home Office for reimbursement.</p>

**APPENDIX 1 – The Council’s risk exposure to wider externalities and impact - Risk Assessment**  
 (June 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

**Evaluating risks and Risk Matrix**  
 (In accordance with the 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 “amber” risks while “green” risks are regarded as acceptable. The above risks associated with COVID-19 (reference A to E) have been plotted on the graph below.

<b>Impact</b>	<b>4 (Catastrophic)</b>			A (i)(ii)(v)	A(iii) (iv)
	<b>3 (Major)</b>			C (i,ii)	B (i) (ii) (iii)(iv) C(iii)
	<b>2 (Medium)</b>				
	<b>1 (Trivial)</b>				
		<b>1 (Rare)</b>	<b>2 (Unlikely)</b>	<b>3 (Likely)</b>	<b>4 (Almost certain)</b>
		<b>Likelihood</b>			

# Audit Committee

28 July 2022



<b>Title</b>	Corporate Risk management
<b>Purpose of the report</b>	To make a recommendation to Policy and Resources Committee
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	<p>The Corporate Risk Register outlines significant strategic risks impacting the effective delivery of all corporate priorities (CARES).</p> <p>Community Affordable Housing Recovery from Covid Environment Service Delivery</p>
<b>Recommendations</b>	<p><b>The Audit Committee is asked to:</b></p> <p><b>1. Consider the significant strategic risks and issues highlighted in this report and present these to the Corporate Policy and Resources Committee, ensuring wider reporting of the Corporate Risk Register and Risk Action Plan across other Committees.</b></p>
<b>Reason for Recommendation</b>	<p><b>The Corporate Risk Register continues to ensure that the Council's most significant risks in relation to achievement of corporate priorities and objectives are identified, managed, monitored, and reported.</b></p> <p><b>Continued visibility and ownership of the risks and issues raised in this report is recommended across the Council due to the significant and wide-reaching implications. This will support improved coordination in addressing risks and implementing mitigating actions.</b></p>

## 1. Summary of the report

- 1.1 This report seeks to highlight significant strategic risks in delivering the Council priorities (CARES) and objectives, and key mitigation measures

underway. The Council's most significant risks to highlight are the six risk categories assigned a red RAG rating, as follows:

- Housing – Development & targets
- Housing – Affordable
- Economy
- Financial Resilience and Communities
- Sustainability and Climate Change
- Corporate Capacity/Resources/Recruitment and Retention

1.2 The Corporate Risk Management Officer Group (officer led) meets three to four times a year, chaired by the Deputy Chief Executive (Chief Finance Officer). This forum provides an opportunity for officers to consider the risk register and identify any further corporate risks emerging or evolving.

## **2. Key issues**

2.1 The revised corporate risk register is set out at Appendix 1 and the Risk Action Plan at Appendix B.

2.2 The evolving economic position globally, the macroeconomic environment (in particular major inflationary pressures) and the geopolitical uncertainty arising from the Ukraine crisis have meant several risks on the corporate risk register continue to be influenced by external factors. Those risks are highlighted in blue to distinguish areas where risk mitigation measures may be limited in terms of actual outcomes due to externalities beyond the control of the council. A separate report on the impact and implications of wider externalities for the Council and its communities is also on the agenda for the July Audit Committee.

2.3 The Council's most significant strategic risks to highlight are the five risk categories that continue to be assigned a red RAG rating (see Appendix A), and a further risk category that has moved from an amber RAG rating to a red RAG rating based on risk assessment and application of the risk scoring model. This includes risk categories 1(a) (Housing – Development & Targets), 1b (Housing – affordable), 2 (Economy), 4 (Finance and Communities), 6 (Sustainability and Climate Change) and 7 (Corporate Capacity/Resources/ Recruitment and Retention).

2.4 The corresponding risk action plan attached at Appendix B highlights actions completed, as well as 'work in progress' and 'continuous actions'. Four new actions have been added as part of this review across sections 2 (Economy), 4 (Financial Resilience and Communities) and 6 (Sustainability and Climate Change).

2.5 The key issues and developments to highlight as part of the latest review of the Corporate Risk Register are set out below at 2.5 (a) to 2.5 (e).

### **(A) Housing – Development and targets – red risk category 1a.**

Definitive financial costs of delays to property schemes including ongoing monthly revenue and capital costs continue to be quantified, measured and reported. As previously reported, continued delays equate to significant cost rises for the Council including loss of rental income (residential). Further viability assessments of proposed and approved residential development



schemes are due to be undertaken to analyse the financial cost effect of increased PWLB loan rates, rising inflationary pressures including increased construction/materials/labour costs, and other important factors. If schemes are no longer considered financially viable and/or there are delays in realising anticipated benefits, this will significantly impact achievement of development targets, delivery of the Council's Housing programme via Knowle Green Estates (KGE) and both affordable and non-affordable housing provision, impacting local communities and adding further pressure to Council services. Considering these challenges, adaptations to property developments continue to be reviewed to ascertain workable solutions. These risks and issues link closely with risk category 1b below (para 2.5(B)).

The Pre-Submission Publication Version of the Local Plan and Draft Staines Development Framework Publication were agreed by the Environment and Sustainability Committee on 26 April 2022 and subsequently at Full Council on 19 May 2022.

#### **(B) Housing – Affordable – red risk category 1b.**

Please refer to the issues highlighted at 2.5 (A) above as they are relevant for this section. Community Wellbeing and Housing Committee approved the revised social housing allocation policy in June 2022, providing a fully refreshed and refined approach to allocations. The £35m property acquisition scheme to purchase and manage readymade properties through Knowle Green Estates (KGE) in addressing housing need has been approved by Full Council. Processes are being developed to support implementation and a vacancy has been advertised to recruit a new Property Acquisition Project Manager position within the Housing Strategy team. Under the government funded assistance scheme Spelthorne have provided support to Afghan Families and to refugees from Ukraine.

#### **(C) Economy – red risk category 2**

The economic risks including the macroeconomic environment and rising inflationary pressures leading to a Cost-of-Living crisis continue to have a significant impact on Council operations, revenue streams, finances, consumer activity and local economic prosperity. The geopolitical situation, Ukraine crisis and political sanctions present wider implications and consequences including supply chain disruptions impacting agricultural commodities (fertiliser to mass-produce food) and availability of certain food groups (such as oil, seed and cereals) leading to inflated prices to the wholesaler/supplier/retailer/consumer. These food shortages also create further reliance on community services such as food-banks.

The Economic Prosperity Strategy and action plan to cover the next five years (2022 -2027) is under review and the challenging/evolving macroeconomic environment will be a pivotal consideration in shaping a future strategy for the Council. The refreshed Economic Prosperity Strategy will replace the Economic Development strategy and is due to be considered by the Economic Development committee for final adoption on 29 September 2022. The discretionary Additional Restrictions grant scheme has been fully

allocated to support businesses and local economic recovery, with all funds spent by 31 March 2022 to meet timeframes stipulated by central government.

#### **(D) Financial Resilience and commercial assets – amber risk category 3**

Despite the impact of the pandemic and wider financial pressures, the commercial investment portfolio is performing well, with 99.98% collection rate achieved for 2021/22. Several mitigation measures are being developed further to help combat the impact of the significant inflationary pressures, cost of living crisis and adverse costs facing the Council. Spelthorne are continuing to increase its sinking funds which increased from £26m to £34m at the end of 2021/22. There are plans to extend the fortnightly 10-year worst case and expected case scenario projections to 20 years, due to be completed shortly. The Council are also embarking on reviewing the sinking fund methodology.

#### **(E) Finances and Communities – red risk category 4 (previously amber)**

We continue to experience an escalating cost of living crisis because of a combination of factors including the recovery from the pandemic, post-Brexit, geopolitical situation, the rising cost of goods and services, steep increases in energy/fuel/food/household and inflationary pressures. This is inevitably impacting sustainability of Council services adding significant costs and pressure to delivering services and the Council's financial position. This coincides with greater demands placed on Councils Services as the significant financial constraints being felt across local businesses, communities and households will accelerate need for greater support from the Council. An adverse consequence is the overstretched corporate capacity issues already being experienced are likely to be further exacerbated, with the implications of this on the workforce discussed under section 2.5 (G) below. There are also wider implications for community safety due to anticipated rises in anti-social behaviour during times of economic hardship.

A report is going to Corporate Policy and Resources Committee in July quantifying the financial impact of inflationary pressures, increased PWLB loan rates and other factors on the Council's budget, reinforcing the need to make efficiency savings to address the anticipated budget deficit for current and future years. An inflationary pressure contingency reserve is being proposed to assist with the predicted budget deficit, subject to Council approval. Other financial constraints are to take effect such as a moratorium on additional growth/resource for 2023/24 unless it meets a statutory need or externally funded.

The collection fund is monitored regularly to assess the impact of the cost-of-living crisis on rates of collection for Council Tax and Business Rates, as the ability to pay becomes more challenging. The government energy rebate scheme has been implemented to support eligible residents with rising gas and electricity costs.

#### **(F) Sustainability and Climate Change – red risk category 6.**

An action plan is being developed to move the Council towards net zero carbon emissions. Environmental enhancements continue to be pursued such

as installation of solar panels at the Nursery and reviewing options for improving energy efficiency at this site as well as the Council offices. Staff training to raise awareness of climate change in promoting the need to adapt to change is planned for September 2022. Establishing a coordinated strategy for tackling Climate Change is underway, with a view to incorporating strategy related actions by September 2022.

### **(G)Corporate Capacity/Resources/Recruitment and Retention – red risk category 7**

As previously reported, an ongoing risk prevails around corporate capacity remaining severely stretched with significant work pressures. The failure to effectively recruit to technical and other roles is also proving challenging with implications for gaps in skills/expertise/knowledge and service quality delivery, as well as additional consultancy costs. All these factors have further exacerbated the apparent pressures that continue to be felt across the Council. There are several consequences associated with overstretched corporate capacity and these are highlighted again due to their significance, including workforce fatigue and stress, negative impact on physical and mental wellbeing, increased sickness absence and turnover, loss of key personnel, and losing sight of priority focus areas impacting service delivery.

It is recognised that recruitment and retention challenges are being faced by employers across all sectors in the UK, with vacancies running at high levels in a competitive market. The LGA has acknowledged the specific issues facing the local government sector largely attributed to ongoing skills shortages. Several recruitment and retention measures have been in place over the course of time at Spelthorne, as recorded on the risk register. Spelthorne are Members of South East Employers newly formed Reward and Recognition Network to share best practice and learn from any initiatives taking place elsewhere. Any retention initiatives raised at a national level will be insightful in due course and may provide an opportunity to further refresh local initiatives taken. Exploring measures to help alleviate and mitigate the recruitment and retention issues facing the authority with a view to attracting and retaining talent therefore remains a work in progress.

The annual staff survey commissioned in May is designed to ascertain on an anonymous basis employee views covering several themes including workplace culture, values, recruitment and retention. Further to analysing employee views and feedback, any new approaches and practices developed should be measured over time to ascertain their effectiveness and positive impact in addressing recruitment and retention challenges.

### **3. Options analysis and proposal**

- 3.1 The revised register at Appendix A is an accurate reflection of the high-level significant risks affecting the Authority, based on our assessment of risk and controls in operation. To consider the contents of the Corporate Risk Register including any new or expanded risk categories, residual risks highlighted and risk mitigating actions underway or for perusal. To take necessary actions

going forward in response to the significant issues raised in this report and as detailed in the register. The risk action plan at Appendix B outlines the progress made on actions previously proposed and includes new actions which should be addressed as they impact delivery of corporate priorities and objectives, (preferred option); or

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

#### **4. Financial implications**

- 4.1 As previously reported, there are major financial implications arising from some of the red RAG corporate risk categories discussed under section 2.5 above. Unless the Council addresses these issues, the Council will not be able to meet its statutory obligations given the major inflationary pressures and significant adverse costs being generated and likely to worsen, and neither will it be able to effectively deliver corporate priorities. As referred to under section 2.5, a report is going to Corporate Policy and Resources Committee on 11 July setting out the financial implications for the Council arising from the extremely challenging inflationary pressures.

#### **5. Risk considerations**

- 5.1 The Council's corporate and strategic risks impacting the achievement of corporate priorities, represent the most significant risks facing the authority. At Appendix A the broad strategic risk categories, specific risk considerations and implications are identified and articulated, as well as the current controls and mitigation measures in place to manage these risks. As part of this review the controls have been presented in a separate column to the mitigation measures, incorporating a request from the Audit Committee. It should be noted that for some risk categories there may inevitably be a degree of overlap in terms of what constitutes a 'control action' and 'mitigation action', so these columns may be best if viewed in tandem. A risk action plan is set out at Appendix B, ensuring a mechanism to capture risk related actions and monitor their progress.

#### **6. Legal considerations**

- 6.1 Some corporate risks facing the Council as identified on the register are driven or influenced by statutory requirements. For example risk category 1b Housing – Affordable Housing – (iii) specific risk refers to the implications of the Domestic Abuse Act for the Council in terms of suitable housing provision.
- 6.2 Consult in every case with **Legal Team** ([G.legal@spelthorne.gov.uk](mailto:G.legal@spelthorne.gov.uk)) and either refer to issues raised elsewhere in your report or detail them here.

#### **7. Other considerations**

- 7.1 As part of the forthcoming LGA Corporate Peer review planned for November 2022, this process will provide continued direction and insight in supporting the Council to address its significant strategic risks, considering overlapping themes around developments, housing, supporting communities and finances.

#### **8. Equality and Diversity**

8.1 There are no specific areas to highlight. Equality, diversity and inclusivity considerations for local communities, Councillors, and employees should stem from Council values, strategies and policies and be applied through behaviours, operations, service provision and processes.

**9. Sustainability/Climate Change Implications**

9.1 There are none separate to those in the Corporate Risk Register.

**10. Timetable for implementation**

10.1 The corporate management team and lead Committee hold collective ownership and accountability for ensuring these strategic corporate risks are effectively managed. The Risk Action Plan at Appendix B shows lead Council officers responsible for progressing actions, together with target timescales for implementation. The register is reviewed and updated three times a year in consultation with the corporate management team, Group Heads and Managers. It is coordinated, analysed, and reported by the Internal Audit Manager.

**11. Contact**

11.1 Internal Audit Manager, Punita Talwar. [P.talwar@spelthorne.gov.uk](mailto:P.talwar@spelthorne.gov.uk)  
01784 446454

**Background papers: There are none.**

**Appendices:**

**Appendix A – Corporate Risk Register (including risk scoring matrix)**

**Appendix B – Risk Action Plan**

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**APPENDIX A - CORPORATE RISK REGISTER**

General Updates (As advised by Managers)	RISK REFERENCE & DESCRIPTION	CORPORATE PRIORITY	RAG & RISK RATING SCORE	CONTROL ACTIONS <i>*See Key</i> <i>These are specific actions to reduce the likelihood of a risk event or occurrence.</i>	MITIGATING ACTIONS <i>** See key</i> <i>These are specific actions to reduce the impact of a risk event should it occur.</i>
<p>1a. Benwell Phase 1 completed and 100% occupied (September 2021), and West Wing Occupied (Jan 22).</p> <p>Annual Housing Delivery Test Action Plan went to E&amp;S committee on 9 November 2021 setting out how the Council is looking to increase housing delivery. It was also considered by Planning Committee on 5 January 2022.</p> <p>The Pre-Submission</p>	<p><b>1.(a) HOUSING – DEVELOPMENT &amp; TARGETS</b></p> <p>(i)Failing to deliver housing development targets could lead to a loss of Spelthorne’s overall control as the Local Planning Authority, resulting in key decision making undertaken by other organisations.</p> <p>(ii) The Council is not able to deliver the Local Plan by the required timeframes, increasing the risk of unsuitable planning applications being submitted. Where planning applications have been refused but subsequently approved on appeal, this also has financial implications arising from developer claims to the Council.</p> <p>(iii)Delays in completing property development schemes, with significant repercussions for delivery</p>	<p>Supporting Communities</p> <p>Affordable Housing</p> <p>Service Delivery</p>	<p><b>RED</b> Refer to the Risk Matrix</p>	<p>Housing Delivery Programme.</p> <p>Exploring other development opportunities within the borough.</p> <p>Strategy for the revised Local Plan (agreed by the E&amp;S committee on 13 July 2021 plus a revised timetable to adoption of summer 2023).</p> <p>Further reporting to Council in May regarding the Local Plan.</p> <p>Weekly progress reporting of Property Development projects to officer Development</p>	<p>Annual Housing Delivery Test Action Plan.</p> <p>Annual Planning Performance report to E &amp; S committee in March 2022.</p> <p>Financial monitoring and reporting, quantifying the impact of the moratorium and other delayed property schemes, as well as outlining mitigating actions moving forward.</p>

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<p>Publication Version of the Local Plan and Draft Staines Development Framework Publication were agreed by Full Council May 2022.</p> <p>Within the annual planning performance report, it highlights the risk around the number of overturns of major applications which are then allowed on appeal. If the 10% figure is breached, then the Council would</p>	<p>of housing schemes and targets (both affordable housing and general housing). Key development schemes within Staines-upon-Thames have been held up by the Moratorium, presenting increased delivery costs because of construction inflation. Non-development costs (approx. 1.2m over last year up to March 2022) have resulted in significant adverse financial impact for the Council. Increased rates from the PWLB and rising inflationary pressures will affect the viability of each project going forward, which could further impact delivery of housing targets.</p> <p>(iv)Delays in political decision making have an adverse impact on both timeliness and direction of Development schemes. Expanding the specification of properties generates more costs to Development schemes</p>			<p>Investment Group (DIG). Bi-monthly Assets Portfolio Working Group (with Chair and Vice of both CPRC and Development Sub-Committee) meetings are being held.</p> <p>Viability assessments of development schemes are required to take on board the increased cost of PWLB loan rates and further inflationary pressures to determine ongoing financial viability.</p> <p>Regular advisory reports to Members/Committees to inform decision</p>	



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exceed the government 'designation' threshold.	and consequently impacts the financial viability of schemes.  (v) Inadequate strategic direction for Knowle Green Estates (KGE) in the provision of the Council's Housing delivery programme presents risks of failing to meet wider housing needs within the borough (beyond affordable housing), impacting effective delivery of housing development targets.			making, setting out development options and associated implications for the Council and local communities.  Paper reported to March 2022 CPRC setting out options for repatriating surplus funds from KGE over the long term.	
<b>1b</b> Single person homeless facility with 27 beds and 4 move on units delivered in October 2021 with residents moved in January 2022. Facility managed by Thames	<b>1.(b) HOUSING – AFFORDABLE</b>  (i)Lack of affordable housing supply increases homelessness  (ii)Housing provision (types of units) does not meet local resident needs or address client special needs for accommodation	Affordable Housing  Supporting Communities  Service Delivery	RED Refer to the Risk Matrix	Housing Delivery Programme. Affordable Housing provision extends beyond those development schemes acquired by Spelthorne Borough Council (direct delivery). Collaborative working with Registered Social	Government funding to assist vulnerable families in rent arrears and who are at threat of eviction.  Collaborative initiatives with Surrey County Council (e.g., Drug and alcohol abuse)

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<p>Metropolitan Housing.</p> <p>Under the ARAP scheme two Afghan families have been found accommodation (private sector landlords) on a medium-term basis and receiving support.</p> <p>Community Wellbeing approved a revised Tenancy Strategy</p>	<p>(iii) The Domestic Abuse Act presents additional pressures and demand as there is a requirement for victims of domestic abuse to be prioritised and rehoused in secure accommodation (parameters of what constitutes domestic abuse expanded under latest legislation)</p> <p>(iv)The conflict in Ukraine and refugee situation presents additional pressures in ensuring that fundamental needs are met in supporting new communities .</p> <p>(iv) Managing demand for social housing is extremely challenging given that anyone with a local connection can apply for housing to any Council.</p> <p>(v) Cost of Living crisis may lead to more homelessness cases and increased demand for social housing</p>			<p>Landlords and Partners to pursue delivery of affordable housing need; S106 agreements with Developers.</p> <p>Homelessness Reduction Act – proactive measures taken to address risk of homelessness.</p> <p>Measures to support Rough Sleepers, Afghan and Ukrainian refugee families under the government funded relocation and assistance scheme. Dedicated support workers.</p>	<p>Monitoring of Housing Register levels (currently approx. 3,000 households on the register).</p> <p>Review of allocation policy completed and approved by Community Wellbeing Committee in June 2022, with a view to adding greater efficiency to the housing register process and assigning social housing.</p> <p>Counter Fraud data matching initiative being pursued with A2D, with the objective of identifying potential social housing fraud occurrences, to free up</p>

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	<p>The above risks and evolving individual circumstances lead to increased costs and pressure on the Council’s Housing Service in responding to homelessness and growing numbers on the Housing register, impacting delivery of affordable housing provision across the borough. If fundamental housing needs are not met/maintained this may have a negative impact on the health and wellbeing of individuals/families.</p>			<p>Housing and Homelessness Strategies. Quarterly monitoring of Strategic Action Plan. Regular review by officer Strategic Housing Group.</p> <p>Surrey reciprocal arrangement to re-house applicants across boroughs where local connection confirmed.</p> <p>£35m property acquisition scheme via KGE - Knowle Green Estates to purchase and manage readymade properties approved by Full Council in February</p>	<p>social housing for those in genuine need.</p>

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				2022, forming part of the capital programme. A process flowchart has been prepared, incorporating due diligence at key stages. Approval of new Property Acquisition Project Manager with a view to them supporting the scheme through relevant skillset.	
2. Funding secured (£100,000) from DWP for a Youth Hub for 18 – 24-year-olds to assist with job employability. Hub began operating	<p><b>2. ECONOMY</b></p> <p>Evolving national economic position and ongoing recovery from previous pandemic lockdowns continue to have an impact on economic wellbeing locally, nationally and globally. The risk implications and threats to the Council are:</p>	Supporting Communities  Recovery from Covid	Red Refer to the Risk Matrix	Periodical review and reporting of the Economic Development strategy. To ensure continued relevance, this strategy is undergoing a complete refresh (to cover 2022 -2027) and referred to as the	Government assisted energy rebate scheme to support increased energy costs /bills.

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<p>from Sunbury Business Incubator in January 2022. Officially launched 4 March 2022.</p>	<ul style="list-style-type: none"> <li>• Residual risk to be accepted - whilst Council actions aim to support and influence sustained economic recovery, these alone cannot control outcomes due to the ramifications of the macroeconomic environment and geo political situation.</li> <li>• Challenges in the recovery of the aviation sector is significant for Spelthorne's local economy and communities due to its proximity to Heathrow as a major employer in the area.</li> <li>• Significant longer term reduction in income (fees and charges, such as Parking and retail letting of the Elmsleigh Centre) with decreased footfall in the town centres and uncertainty around future consumer activity patterns.</li> </ul>			<p>Economic Prosperity strategy.</p> <p>Additional Restriction Grant (ARG) fund spent by 31.3.22 to facilitate and support businesses in recovery of the local economy. Dedicated ED committee to consider Economic Development matters and receive reports on progress – role includes scrutiny of budgets and grant spend.</p> <p>Fortnightly monitoring of Business Rates and Council Tax collection rates as part of monitoring the effect</p>	

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	<p>This will continue to impact the Council’s finances.</p> <ul style="list-style-type: none"> <li>• An increased level of business failures impacts economic prosperity of the borough and effects collection rates for business rate income, with reduced levels impacting finances and services available.</li> <li>• On emerging from the pandemic, consumer led demand placed increased pressure on supply chains, leading to inflation, rising prices and increased living costs, with energy, fuel, food and household costs in particular continuing to rise at an alarming rate. The escalating inflationary pressures and Cost of Living crisis adversely impact</li> </ul>			<p>of current pressures such as the Cost-of-Living crisis on the collection fund.</p>	

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	<p>businesses, economic activity, Council services and residents.</p> <ul style="list-style-type: none"> <li>The current economic environment may increase occurrences of anti-social behaviour, theft and fraud.</li> </ul>				
<p>Refreshed Capital Strategy considered at 7 February 2022 CPR Committee.</p> <p>LGA Finance Peer Review undertaken in late 2020 with action plan put in place to address recommendations.</p>	<p><b>3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS</b></p> <p>Evolving externalities arising since the aftermath of the pandemic have increased the Council's exposure to financial risk, with possible implications for the investment portfolio, including loss of anticipated rental income from commercial assets and poor investment returns. This may impact on the financial position, leading to the Council becoming financially unsustainable with associated reputational damage.</p>	Recovery from Covid	Amber Refer to the Risk Matrix	<p>Investment performance is monitored bi-monthly at weekly Assets Portfolio Working Group, and a quarterly performance report is produced for the Investment Portfolio. Fortnightly Asset Portfolio Working meetings are taking place to monitor income (investment portfolio doing very well - 99.98% collection rate last year 21/22 despite the</p>	<p>The Council is continuing to increase its sinking funds which increased from £26m to £34m at the end of 2021-22.</p> <p>Ten year worst and expected case sinking fund scenario projections are reviewed on a fortnightly basis and will be shortly extended to a 20-year time frame.</p> <p>A review of sinking fund methodology and</p>

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				<p>impacts of the pandemic). 95% of overall investment portfolio let.</p> <p>Due Diligence measures continue for tenant management.</p> <p>Development Sub-Committee approved a methodology for Business Plans for Investment Assets. Detailed business plans are under development for each investment asset.</p> <p>Capital Strategy includes key performance indicators with a particular focus</p>	<p>strategy is planned for summer 2022.</p>



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				on the investment portfolio. The Asset Management plan (reviewed annually) sets out key control measures. Development Sub Committee of Corporate Policy and Resources receives regular monitoring reports for scrutiny. Annual Performance Report. CIPFA FM Code self-assessment and Member reporting. Periodical monitoring and review of progress in addressing LGA Finance Peer review recommendations.	

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<p>4. Update on Finance Peer Review Action Plan and CIPFA Financial Management Self-Assessment is periodically reported to the Audit Committee.</p>	<p><b>4. FINANCIAL RESILIENCE AND SUPPORTING COMMUNITIES</b></p> <p>(i) Increased financial pressures faced by the Council arising from the continued inflationary pressures on fuel, gas and electricity, staff pay pressures, slowing down of the housing delivery programme, increased PWLB Loan rates and other external factors are collectively causing a significant increase in revenue costs and capital expenditure. This will have a significant impact on the Council's balanced budget for 2022/23 and the planned budget deficits from 2023/24 to 2025/26.</p> <p>(ii) Combined with reduced fee income and collection rates for Business Rates and Council Tax (exacerbated further by the Cost of Living crisis) this could have an adverse impact on the Council's</p>	<p>Supporting Communities</p> <p>Recovery from Covid</p> <p>Service Delivery</p>	<p>Red</p> <p>Refer to the Risk Matrix</p>	<p>Medium term financial strategy refreshed as part of the Budget process for 2022-23. CPRC put forward proposals for a balanced budget for 22-23 (and years 23-24 to 25-26 also balanced). Full Council approved budget on 24.2.22 . Fully refreshed Reserves Strategy</p> <p>Financial impact assessment modelling.</p>	<p>Inflationary pressure contingency reserve being proposed to assist with the predicted budget deficit, and subject to Council approval.</p> <p>Governance reporting. A report going to Corporate Policy and Resources Committee on 11 July 2022 setting out the financial impact of current pressures on the Councils' budget for 2022/23, 2023/24 and beyond, including material adjustments to the planned deficit. Proposals put forward for making efficiency savings to further safeguard the authority</p>

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	ability to deliver services as well as creating greater demands on community services, leading to a negative impact on the Borough's residents and communities (economic, social, physical, and mental wellbeing). Ongoing financial pressures could lead to the Council becoming financially unsustainable.				against this significant risk/issue.
5. On track (at March 2022) with meeting Prudential indicators and fair favourably on investments compared to other Council's.	5. <b>TREASURY MANAGEMENT</b> If the Council receives a reduced return on long term investments and/or investments become insecure in the current / future economic climate, then this will have an adverse impact on the Council's financial position, weakening financial resilience	Recovery from Covid  Service Delivery	Amber Refer to the Risk Matrix	Treasury Management Strategy for 2022-23 approved by Members. Application of updated CIPFA Code of Practice and Prudential and Treasury Management Codes. Performance measurement and reporting.	Fixed interest rate on most debt and for investments an interest equalisation reserve is in place. Refer also to mitigating actions under section 4 above.

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				Aim to select counter parties of the highest credit quality. Credit ratings monitored. Council's investments managed internally in consultation with specialist advisors Arlingclose. Explore options for diversifying the portfolio.	
<p>6.Council commitment - declared Climate Change Emergency in October 2020.</p> <p>Council's 2020-21 Budget includes £747k specifically ring-fenced for</p>	<p><b>6. SUSTAINABILITY &amp; CLIMATE CHANGE</b></p> <p>Climate change 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 health and safety, food systems, supply chains &amp;</p>	Environment and Climate Change	Red Refer to the Risk Matrix	In view of Government targets for reducing carbon emissions / greenhouse gases to tackle climate change, the Environment and Sustainability Committee will continue to explore ways to meet a carbon neutral target by 2050	Recently installed solar panels at the Nursery as a renewable source of energy. Exploring options for improving energy efficiency of Nursery and Council offices.

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<b>General Updates (As advised by Managers)</b>	<b>RISK REFERENCE &amp; DESCRIPTION</b>	<b>CORPORATE PRIORITY</b>	<b>RAG &amp; RISK RATING SCORE</b>	<b>CONTROL ACTIONS</b> <i>*See Key</i> <i>These are specific actions to reduce the likelihood of a risk event or occurrence.</i>	<b>MITIGATING ACTIONS</b> <i>** See key</i> <i>These are specific actions to reduce the impact of a risk event should it occur.</i>
<p>Green Initiatives. Environment and Sustainability Committee of January 2022 agreed framework for prioritising bids to the Green Initiatives provision.</p> <p>Officers are working in the spirit of ethical and social responsibility to reduce the Council's carbon footprint. Reduced carbon emissions by 40% since 2012.</p>	<p>procurement, economic productivity, and losses. Due to climate change, there is a specific risk to the Borough of Spelthorne in terms of more extreme heat and increased flooding, besides the more global threats such as severe storms (threat to loss of life and limb) impacting locally. If the Council is not pursuing measures or seeking positive opportunities to mitigate and adapt to climate change, it could result in criticism/bad press/public demonstration and additional organisational pressures may result in a loss of focus around climate change and green initiatives. A lack of preparedness for the impacts of climate change may lead to Council Services no longer being sustainable or in a suitable position to operate in the future.</p>			<p>or earlier and to make recommendations on</p> <p>(i) How to apply the £747k fund</p> <p>(ii) Promote climate change as an issue that needs to permeate all Council areas to ensure we reduce our carbon footprint and adapt to climate change.</p> <p>Examples of measures taken so far: Sustainability Strategy; Energy &amp; Water Efficiency Policy; Currently developing climate change strategy and actions. Professional group membership to share best practice and</p>	

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				knowledge such as Surrey Energy & Sustainability Partnership (SESP) and Association of Lead Energy Officers (ALEO). Implementing energy efficiency measures in Council owned buildings. Increasing renewables capacity. Officers working with relevant Committees and Treasury Management advisers on how we can transition investment portfolio to a more sustainable basis. In September 2022 undertaking staff training on climate change.	

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<p><b>7.</b> With additional projects with tight deadlines, workload pressures have been intense. (Examples - Staines Health and Wellbeing Centre, Cultural Development Fund, supporting refugees, delivering Whitehouse Hostel and Harper House, producing viability proposals, implementing scheme to pay out Household Support Fund</p>	<p><b>7. CORPORATE CAPACITY, RESOURCES , RECRUITMENT AND RETENTION</b></p> <p>(i)Overstretched capacity exacerbated by the additional workload, new Committee system of governance and demands arising from pandemic recovery (as well as the departure of several experienced staff) could lead to increased staff fatigue / burnout / sickness levels arising. This may impact further on employee stress levels and mental / physical wellbeing, which may also lead to reductions in expected service delivery.</p> <p>(ii)Residual risk refers to the risk that remains after control processes and measures to eliminate some or all the inherent risks have been made. It could be deemed that due to the</p>	<p>ALL PRIORITIES</p>	<p>Amber Refer to the Risk Matrix</p>	<p>Capacity management - Management to address workload issues across teams , with continued prioritisation of tasks.</p> <p>Responsibility to remain alert to stress related risks of demanding workload. The need to treat colleagues respectfully has been recognised and communicated.</p> <p>Corporate values under the acronym PROVIDE form part of the Corporate Plan. Over time it is the intention for the Council’s values to</p>	<p>Staff can access welfare information on Intranet. Support is available for mental and emotional wellbeing including mental health first aiders and Care First. This scheme has been promoted through regular staff communications.</p> <p>Monitoring of sickness absence providing corporate view of stress issues.</p>

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<p>grants and Energy Rebate schemes,</p> <p>It is proving more difficult to recruit into technical roles, as well as some non-technical posts. For several posts recently advertised there are few or no suitable candidates applying. (This could impact on resourcing and further stretch staff already under considerable workload pressures).</p>	<p>nature of the risk set out at 7i above with reference to causes and consequences, as well as the continuation of intense work pressures, some residual risk may continue. In acknowledging this, the Council may wish to either:</p> <p><b>-Do nothing on the basis that the controls have proven effective enough to reduce the risk to an acceptable level, OR</b></p> <p><b>-Increase or modify controls to reduce the risk to a level that is regarded acceptable, OR</b></p> <p><b>-Evaluate the cost of revised control and mitigation measures vs benefits and whether this is deemed necessary to bring the risk to an acceptable level</b></p> <p>(iii) Unsuccessful recruitment and ongoing unfilled vacancies lead to a reduced level of technical skills and relevant expertise operating across</p>			<p>become further embedded into behaviours, policy and processes (including recruitment)</p> <p>Annual staff survey recently commissioned (May 2022) which is designed to ascertain employee views on several themes including workplace culture, values, recruitment and retention. Feedback from the survey will be analysed with a view to making any necessary improvements and changes.</p>	



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<p>The Group Head of Commissioning &amp; Transformation and the HR Manager attended the Audit Committee on 24 March 2022 to discuss the position and reinforced to Members the current challenges across the recruitment market nationally, as well as the skill shortages within the local government market. Since COVID, it has become apparent that some long-standing employees have</p>	<p>Services. Staff shortages further exacerbate workload pressures across teams. The consequences of this risk are set out earlier at 7i.</p> <p>(iv) Ineffective or inappropriate recruitment could result in appointments that fail to effectively meet business need leading to reduced service quality.</p>			<p>Growth bids for additional resourcing have formed part of annual budget process (moratorium restrictions being implemented going forward), with 17 FTE approved for 2022/23.</p> <p>Several recruitment and retention measures have been underway for some time, with examples below:</p> <p>(i) A Recruitment and Retention Policy and Market Supplement Scheme to offer financial enhancements for</p>	

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chosen to retire earlier than they may have otherwise done, and this is beyond the control of the Authority.				hard to fill posts which are agreed by MAT.  (ii)An apprenticeship training programme to upskill existing staff and offer development opportunities to new hires. (iii)An Employee Assistance Programme scheme and Mental Health First Aider Scheme to assist with staff wellbeing (iv)Implementation of hybrid working in response to staff feedback) and ensuring that staff are fully equipped to work from home. (iv)Flexi time working arrangements	

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				<p>(v)An exit interview scheme that encourages leavers to engage, providing an opportunity for SBC to learn, improve and apply where appropriate for the future.</p> <p>(vi)A 2% pay increase approved for 22/23 (24.2.22) plus an extra 0.5% for staff on Grades 1 to 5. Awaiting the outcome of the national pay settlement and any further action.</p> <p>(vii)Members of South East Employers newly formed Reward and Recognition Network to share best practice and to learn from any</p>	

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				initiatives taking place elsewhere (this is a work in progress) (viii) Collaborative working and Partnerships being explored with a view to enhancing organisational and service resilience, promoting career opportunities and staff retention measures. Working group in place.	

**Risk Scoring Matrix**

This is the matrix that is used across the Council

## APPENDIX A - CORPORATE RISK REGISTER

**Red** risks require prompt, planned management action

**Amber** risks require planned management action

**Green** risks are accepted risks

<b>Impact</b>	<b>4 (Catastrophic)</b>			2, 6	
	<b>3 (Major)</b>			3; 5	1 (a); 1 (b); 4; 7
	<b>2 (Medium)</b>				
	<b>1 (Trivial)</b>				
		<b>1 (Rare)</b>	<b>2 (Unlikely)</b>	<b>3 (Likely)</b>	<b>4 (Almost certain)</b>
		<b>Likelihood</b>			

How risks are scored:

## APPENDIX A - CORPORATE RISK REGISTER

We score risks, with their current controls in place, for likelihood and impact as shown below:

Score	Impact	Likelihood (over 4 years or timescale deemed appropriate)
1	Trivial	Rare (once)
2	Medium	Unlikely (a few times / less than annual)
3	Major	Likely (several times / more than annual)
4	Catastrophic	Almost certain (many times a year)

Impact can be measured in many ways and will be specific to what you are assessing, but the most common are on objectives, finance, and reputation.

### KEY

- *Controls and Mitigation* - Any action taken to manage risk and increase the likelihood that established objectives will be achieved.
- *\*Control Actions* - These are specific actions to reduce the likelihood of a risk event or occurrence.
- *\*\*Mitigating Actions*- These are specific actions to reduce the impact of a risk event should it occur.

**APPENDIX B DETAILED RISK ACTION PLAN – REVIEWED JUNE 2022**  
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1a. HOUSING – Development & Targets	1a (i). Preparation and adoption of New Local Plan to meet future need and strengthen affordable Housing Policy	March 2020	Lead - Strategic Planning Manager (Ann Biggs)  <i>Action reviewed by Group Head Regeneration &amp; Growth on 7.10.21</i>  <i>Action reviewed by Group Head Regeneration &amp; Growth on 09.02.22</i>  <i>Action reviewed by Group Head Regeneration &amp; Growth on 24.06.22</i>	(i) March 2022 (ii) Revised – June 2023	<b>BEING IMPLEMENTED/IN PROGRESS</b>  Environment and Sustainability committee agreed the revised Local Development scheme on 13 July 2021  The Pre-Submission Publication Version of the Local Plan and Draft Staines Development Framework Publication were agreed by the Environment and Sustainability Committee on 26

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					April 2022 and then at Council on 19 May 2022
1a. HOUSING – Development & Targets	1a (ii). Greater strategic direction for Knowle Green Estates (KGE) will support progress in delivering Council priorities, development targets and addressing housing needs (affordable and general).	October 2021	Lead - Management Team.  <i>Action to be reviewed</i>	(i)March 2022 (ii)Revised – September 2022	<b>IN PROGRESS</b> Paper reported to March 2022 CPRC setting out options for repatriating surplus funds from KGE over the long term.
1b HOUSING – Affordable	1b (i). Service Level Agreement to be put in place with registered providers to take forward cases of alleged tenancy fraud	March 2020	Lead - Housing Strategy Manager (Marta Imig)  <i>Action reviewed by Housing Strategy Manager on 3.10.2021,28.1.22 &amp; 28.6.22</i>	(i)June 2020 (ii)Revised – 2021 (iii)Revised – October 2021 (iv) Revised March 2022 (v) Revised July 2022	<b>IN PROGRESS</b> To undertake a targeted data matching exercise, requiring collaborative working. Delays encountered. Discussions



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				(vii) Revised October 2022	underway with Registered Provider.
2. REGENERATION AND GROWTH	2i. The Economic Prosperity Strategy is being reviewed and fully refreshed to cover 2022 – 2027. It will incorporate any residual actions from the Corporate recovery plan.	June 2022	<i>Group Head Regeneration and Growth (Heather Morgan)</i>	(i) September 2022	<b>NEW ACTION &amp; IN PROGRESS</b>  Some elements already shared and considered with the Economic Development Committee. The final draft of the strategy will be considered by the Economic Development committee for final adoption on 29 September 2022.
3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3i. Continued monitoring and recovery of significant rental income due from the Council's commercial property	2018	<i>Continuous Action reviewed by Group Head Regeneration and Growth</i>	Continuous action	<b>IMPLEMENTED &amp; ONGOING/IN PROGRESS</b>  Detailed individual business plans are

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	portfolio. Worst case and expected case scenario modelling of next 10 years for sinking funds adequacy refreshed and reviewed on a fortnightly basis by Rent Collection Review meeting. We will be extending the modelling from 10 years to 20 years. A review of the sinking fund methodology is to take place in Summer 2022.		<p><i>on 7.10.2021 and Deputy Chief Executive - Chief Finance Officer 15.10.21</i></p> <p><i>Current Operational Lead for Assets - Deputy Chief Executive, Lee O'Neil</i></p> <p><i>Action reviewed by Deputy Chief Executive - Chief Finance Officer 17.6.22</i></p>		<p>under development for each of our investment assets.</p> <p>At June 2022, shortly to extend the scenario modelling from 10 to 20 years.</p>
3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3ii. Continued application of CIPFA'S Financial Management Code (responsibility of whole organisation) in close alignment with the LGA Financial Peer Review recommendations	March 2021	<p>Lead Officer - Deputy Chief Executive - <i>Chief Finance Officer</i></p> <p><i>Action reviewed by Deputy Chief Executive 15.10.21, February 2022, June 2022.</i></p>	Continuous action	<p><b>IN PROGRESS</b></p> <p>Financial Management Code Self-Assessment taken to November 2021 Audit Committee. Action Plan for Finance Peer Review</p>

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					recommendations periodically reported to Corporate Policy and Resources and Audit Committee.
4. FINANCIAL RESILIENCE AND SUPPORTING COMMUNITIES	4i. Identifying additional inflationary pressures impacting the Council's budget and financial position.	June 2022	Lead Officer - Deputy Chief Executive - <i>Chief Finance Officer</i>	Continuous Action	<b>NEW ACTION &amp; IN PROGRESS</b> Report going to 11 <sup>th</sup> July PCRC identifying additional inflationary pressures of approximately £1.2m impacting on the 2023/24 budget. A number of mitigating actions are being taken to tighten the 2023-24 Budget process.
6. SUSTAINABILITY & CLIMATE CHANGE	6i. Developing an action plan to move the Council towards net zero carbon emissions	June 2022	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead)	(i)October 2022	<b>NEW ACTION</b>

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6. SUSTAINABILITY & CLIMATE CHANGE	6ii Following approval of the £747k Green Initiatives Fund as part of the Council's 2021/22 Budget, recommendations to be made as to how to apply that fund	March 2021	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead)  <i>Action reviewed by Group Head Commissioning &amp; Transformation 10.2.22</i>  <i>Action to be reviewed</i>	(i)June 2021 (ii)Revised October 2022	<b>IN PROGRESS</b> Environment and Sustainability Committee of January 2022 agreed framework for prioritising bids to the Green Initiatives provision.
6. SUSTAINABILITY & CLIMATE CHANGE	6iii. County are leading on developing a strategy on climate change across the Surrey authorities	March 2021	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead)  <i>Action reviewed by Group Head Commissioning &amp; Transformation 10.2.22 &amp; 24.6.22</i>	(i)Revised September 2022 (previously ongoing)	<b>IN PROGRESS</b> Working in partnership with SCC / Boroughs and Districts to develop a Climate Change strategy and related actions with a view to September 2022 publication

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6.SUSTAINABILITY & CLIMATE CHANGE	6iv. Training is being arranged to raise awareness and enhance understanding of Climate Change issues across the Council.	June 2022	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead)	(i)September 2022	<b>NEW ACTION</b> Training scheduled to be delivered to staff in September 2022.
7. CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7i. Monitoring impact of departure of experienced officers and managing associated loss of organisational knowledge and talent. Review of staff retention measures to reduce and mitigate the risk of staff departures.	March 2021	ALL / Group Head Commissioning & Transformation (Sandy Muirhead)  <i>Action reviewed by Group Head Commissioning &amp; Transformation 10.2.22</i>	Continuous action	<b>IMPLEMENTED &amp; ONGOING</b> 2% pay increase approved for 22/23 (24.2.22) plus an extra 0.5% for staff on Grades 1 to 5. Spelthorne are Members of South East Employers newly formed Reward and Recognition Network to share best practice and learn from new initiatives.

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7. CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7ii. The continuation of excessive workload pressures exacerbated further by the Committee system of Governance needs to be kept under regular review in view of the significant risk implications (as set out on the Corporate Risk Register at Appendix 1).	February 2022	Management Team <i>Action to be reviewed</i>	Continuous action	<b>IN PROGRESS</b>
7.CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7iii. Continue to explore new and innovative recruitment and retention strategies in a competitive market.	February 2022	Group Head Commissioning & Transformation (Sandy Muirhead) and HR Managers <i>Action reviewed by Group Head Commissioning &amp; Transformation (Sandy Muirhead) 24.6.22</i>	(i)June 2022 (ii)Revised October 2022	<b>IN PROGRESS</b>  Collaborative working with professional groups such as South East Employers to explore options and strategies. This is a 'work in progress'.

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**COMPLETED ACTIONS IN GREEN**

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1a. HOUSING – Development & Targets	1a Viability assessments for Staines property developments affected by the Moratorium are underway	March 2020	<i>Action reviewed by Group Head Regeneration and Growth on 7.10.2021</i>  <i>Current operational Lead for Assets – Property and Development Manager (Nick Cummings) and Deputy Chief Executive (Lee O’Neil).</i>	(i) JULY 2021 (ii) Revised - October 2021	<b>COMPLETED</b> Viability assessments for a range of options completed for Whitehouse residential and Thameside House. Development Sub-Committee further considering the viability options following referral to Council.

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					CPR committee agreed on 19 January 2022 that the Moratorium was no longer in effect.
1b. HOUSING – Affordable	1b Set up a Homelessness Strategy working group to support achievement of aims	March 2020	Lead - Housing Strategy Manager (Marta Imig)  <i>Action reviewed by Housing Strategy Manager on 3.10.2021 .</i>	(i)August 2020 (ii)Revised – May 2021 (iii)Revised – July 2021	<b>COMPLETED</b> A working group has been set up and Homelessness Forum established with quarterly meetings. Representatives from multiple agencies. Partners are finding the meetings very useful.
1b. HOUSING – Affordable	1b Establish and approve clearly defined Terms of Reference for the Homelessness Strategy working group to support achievement of aims	March 2020	Lead - Housing Strategy Manager (Marta Imig)  <i>Action reviewed by Housing Strategy Manager on 14.6.2021</i>	(i)December 2020 (ii)Revised – May 2021	<b>COMPLETED</b>
1b HOUSING – Affordable	1b (ii)Policy to procure readymade properties approved by Corporate Policy and Resources Committee and will go to Full Council for a decision.	November 2021	Lead – Group Heads Community Wellbeing  <i>Action reviewed by Housing Strategy Manager on 28.1.22 &amp; 28.6.22</i>	(i)February 2022	<b>COMPLETED</b> Full Council decision and approval of scheme 24.2.22
2.ECONOMY	2. Identification and delivery of prioritised actions in the	March 2021	Lead - Economic Development Manager (Keith McGroary)	Drafting and agreement of plan and	<b>COMPLETED</b> Draft recovery plan considered by the



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	Economic Development Recovery Plan		<i>Reviewed by Group Head Regeneration and Growth on 7.10.2021</i>	targets. Delivery ongoing and to extend beyond the end of the current 4-year Council cycle.	Economic Development Committee on 22 June 2021 Update on all actions competed to date considered by the ED Committee on 21 September 2021
2.ECONOMY	2(i)Development of a policy on Additional Restrictions Grant (ARG) spend – grant amounts to c.£2.2m	June 2021	<p><i>2iii. Lead – Economic Development Manager.</i></p> <p><i>Action reviewed by Group Head Regeneration and Growth on 7.10.2021 &amp; 09.02.22</i></p> <p><i>Action reviewed by Group Head Regeneration and Growth on 24.06.22</i></p>	2i. Additional Restrictions Grant (ARG) to be applied up to end of March 2022. Target for a policy to be in place by September 2021. (Revised at prior review to October 2021)	<p><b>COMPLETED</b> April 2022</p> <p>At the ARG meeting of 12 January 2022 agreement was reached on the areas for the last tranche on monies to be spent. An update was provided at the January meeting regarding the £198k top up grant.</p> <p>ARG Task Group set up to specifically consider how to best spend the remaining monies (£770K remaining at 16.3.22) to ensure businesses benefit the most in terms of</p>

**APPENDIX B DETAILED RISK ACTION PLAN – REVIEWED JUNE 2022**  
**COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK**

					recovery and future growth.  Monies allocated and spent in accordance with the ARG policy by end March 2022 (as required by government policy)
3.FINANCIAL RESILIENCE & COMMERCIAL ASSETS	3. Property Management Software to be applied for billing tenants on the investment properties (previously indicated by the end of 20/21) and for municipal properties thereafter	November 2020	Lead - Group Head Regeneration & Growth (Heather Morgan)  <i>Action reviewed by Group Head Regeneration and Growth on 11.6.2021</i>  <i>Current operational Lead for Assets – Property and Development Manager (Nick Cummings)</i>	(i)March 2021 (ii) Revised - June 2021	<b>COMPLETED</b> Software in place and tenants in single let investment properties invoiced via system from end June 2021
6i.SUSTAINABILITY & CLIMATE CHANGE	6i. Identification and perusal of prioritised 'Green recovery' actions in the Council's	March 2021	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead)	(i)April 2021 (ii)Revised March 2022	<b>COMPLETED</b> Also developing an <b>action plan to move</b>

**APPENDIX B DETAILED RISK ACTION PLAN – REVIEWED JUNE 2022**  
**COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK**

	broader recovery plan for Covid-19		<i>Action reviewed by Group Head Commissioning &amp; Transformation 19.10.21 &amp; 10.2.22</i>	(iii)Revised June 2022	the Council to net zero
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Updates coordinated by Internal Audit Manager, June 2022

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# Audit Committee

28 July 2022



<b>Title</b>	Annual review of Internal Audit Effectiveness
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	Community Affordable housing Recovery Environment Service delivery
<b>Recommendations</b>	<p><b>Committee is asked to:</b></p> <p><b>1. Note the Annual Review of Internal Audit Effectiveness, overall conclusions and any actions arising.</b></p>
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

- 1.1 Public Sector Internal Audit Standards (PSIAS) require internal audit functions to carry out an annual self-assessment to determine conformance against the standards, as well as an independent external assessment to be undertaken at least every five years. An external assessment is planned to be undertaken towards the end of 2022 through a reciprocal arrangement with two other Surrey authorities.
- 1.2 This report seeks to summarise the outcomes from the recent self-assessment undertaken by the Internal Audit Manager in July 2022, including any areas for improvement, as detailed at Appendix 1. The annual review focuses on conformance to PSIAS for the 2021/22 financial year (backwards looking), and reference is also made to more recent activity where appropriate. The assessment incorporates the requirements of the PSIAS as well as the Local Government application note (LAGN).

- 1.3 The overall assessment demonstrates that against all 10 principles of PSIAS (which taken as a whole articulate internal audit effectiveness) we conform. There are some specific actions that could further improve and enhance practices, as discussed under sections 2.5 to 2.6.
- 2. Key issues**
- 2.1 The purpose and objectives of the PSIAS are to:
- define the nature of internal auditing in the public sector
  - set basic principles for carrying out internal audit in the UK public sector
  - establish a framework for providing internal audit services, which add value to the organisation
  - establish the basis for the evaluation of internal audit performance and to drive improvement planning
- 2.2 “A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector “(PSIAS).
- 2.3 In developing an overall assessment of conformance with the PSIAS, the key consideration is how conformance with the detailed standards and Code of Ethics supports the evaluation of conformance with each of the core principles. These principles taken as a whole articulate internal audit effectiveness (as stipulated in PSIAS) and are listed at paragraph 2.4 below.
- 2.4 Core audit principles include:
- Demonstrates integrity
  - Demonstrates competence and due professional care
  - Is objective and free from undue influence (independent)
  - Aligns with the strategies, objectives, and risks of the organisation
  - Is appropriately positioned and adequately resourced
  - Demonstrates quality and continuous improvement
  - Communicates effectively
  - Provides risk-based assurance
  - Is insightful, proactive and future-focused
  - Promotes organisational improvement
- 2.5 Conformance with each of the ten core principles is set out at Appendix 1, together with any new proposed actions to ensure continuous improvement. Under principle 6 (Quality and continuous improvement) there are two previous improvement actions that remain outstanding, one of which is a corporate action, and the rationale is provided at Appendix 1 (point 2 under principle 6).
- 2.6 The improvement actions arising from the self-assessment undertaken in July 2022 to strive for even greater conformance with PSIAS and best practice are also highlighted below (as well as at Appendix 1) for speed of reference:

## **Principle 2. Demonstrates competence and due professional care.**

2(i) An Auditor skills and competencies framework has been drafted, to be completed across the team to support ongoing monitoring of training and development needs. The current in-house audit team possess a combined 35 years of internal audit experience.

*Proposed Timeframe: October 2022.*

*Ownership: Internal Audit Manager and Senior Auditor*

## **Principle 3. Is objective and free from undue influence (independent).**

3(i) The Audit Charter was fully refreshed in July 2019 setting out the purpose, authority, responsibility, and mission of Internal Audit in adherence to PSIAS requirements. Revised direct reporting arrangements that took effect from March 2020 have already been reflected in the Charter.

Review of the Audit Charter is due to be undertaken shortly, for approval by the Audit Committee at the November 2022 meeting. There are not anticipated to be any significant updates to the current version of the Charter, as it is still considered relevant.

*Proposed Timeframe: October 2022.*

*Ownership: Internal Audit Manager*

3(ii). Whilst several productive discussions and meetings were held during 2021/22 with the Chair and Vice-Chair of the Audit Committee, these were not specifically independent of Council Officers. The CAE to reconvene periodical independent meetings with the Chair of the Audit Committee (at least one formal meeting a year as per PSIAS).

*Proposed Timeframe: From September 2022.*

*Ownership: Internal Audit Manager and Audit Committee Chair*

## **Principle 5. Is appropriately positioned and adequately resourced.**

5.(i) Further to discussions around resources with the Audit Committee and Management Team, the Internal Audit Manager has reflected again on service needs. Early options have been set out, with a view to exploring and seeking optimum approaches to utilising any increased resource, in order to deliver priorities based on the audit needs assessment and wider business need. The permanent Group Head of Corporate Governance is due to take up her position at Spelthorne from September 2022 and will be advising the Audit Committee further on audit resourcing.

*Proposed Timeframe: To be advised by the new Head of Corporate Governance*

*Ownership: Group Head of Corporate Governance*

**Principle 6. Demonstrates quality and continuous improvement.**

6(i). Future reporting could include the percentage of agreed audit recommendations implemented in a given period (eg within 3 to 6 months) considering the target date specified by the Manager, as this demonstrates a measurable outcome in terms of value added by the audit service.

*Proposed Timeframe: Reporting once to twice a year, from November 2022 to coincide with the next cycle of reporting to the Audit Committee.*

*Ownership: Internal Audit*

**Principle 7. Communicates effectively.**

7(i). Internal Audit already specify timeframes when requesting management responses to audit recommendations. Improving the timeliness and in some cases adequacy of management responses to audit recommendations contributes to the efficiency of the audit process and is a consideration for the corporate management team and Audit Committee. It is recognised that organisational capacity remains significantly stretched across all service areas, and this is no doubt a contributory factor to delays on some occasions.

*Proposed Timeframe: Ongoing review by the Audit Manager*

*Ownership : Lead contact (s) for the audit, comprising Groups Heads, Managers, Management Team.*

**3. Options analysis and proposal**

3.1 The Committee are asked to note the outcomes of the annual effectiveness review of the system of Internal Audit for 2021/22 and any improvement actions arising.

**4. Financial implications**

4.1 There are none.

**5. Risk considerations**

5.1 Failure to achieve any of the core principles set out under section 2.6 would imply that an internal audit function is not as effective as it could be in achieving internal audit's mission 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' (PSIAS).

5.2 The Internal Audit Manager's overall assessment demonstrates that against all 10 principles of PSIAS (which taken as a whole articulate internal audit effectiveness) the service conforms, and there are a few low to medium priority areas where the degree of conformance could be further enhanced. These will be mitigated through the improvement actions highlighted in this report.



5.3 Where completion of improvement actions identified as part of the annual review of audit effectiveness (self-assessment) can be factored into existing capacity levels, this will be pursued, but will need to be assessed as part of ongoing review of service priorities.

## **6. Legal considerations**

6.1 Public Sector Internal Audit Standards (PSIAS) are based on the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF).

## **7. Other considerations**

7.1 There are none.

## **8. Equality and Diversity**

8.1 There are no specific implications.

## **9. Sustainability/Climate Change Implications**

9.1 An internal audit review of Climate Change was concluded during 2021/22 and provided assurance on how the authority is addressing climate change risks. The review raised several audit recommendations to strengthen and enhance controls. This demonstrates how Internal Audit is adhering to principle 4 of PSIAS '*Aligns with the strategies, objectives, and risks of the organisation*', given also that the Environment forms part of the Council's corporate priorities under the acronym 'CARES'.

## **10. Timetable for implementation**

10.1 Timeframes for implementation of the improvement actions are set out in this report under paragraph 2.6 and at Appendix 1.

## **11. Contact**

11.1 Punita Talwar, Internal Audit Manger

[P.Talwar@spelthorne.gov.uk](mailto:P.Talwar@spelthorne.gov.uk)

01784 446454

### **Background papers:**

**Public Sector Internal Audit Standards (PSIAS).**

**Public Sector Internal Audit Standards self-assessment incorporating the Local Government Application Note**

**Appendices: Appendix 1 – Assessment of conformance to the core principles of the Public Sector Internal Audit Standards**

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**Appendix 1 - Assessment of conformance to the core principles of the Public Sector Internal Audit Standards**

For the purposes of PSIAS, ‘Senior Management’ refers to the corporate management team, the ‘Board’ refers to the Audit Committee and the ‘Chief Audit Executive’ (CAE) refers to the Internal Audit Manager.

<p><b>1. Demonstrates integrity.</b></p>			<p><b><u>Improvement Actions in adherence with PSIAS</u></b></p> <p>There are none arising.</p>
<p>Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?</p> <p><b><u>Evaluation and areas to highlight</u></b></p> <p>(i) Internal Auditors perform their work with integrity and are required to adhere to the PSIAS Code of Ethics in acting honestly, diligently and responsibly in performing duties. The Quality Assurance process (covered under principle 6) considers the adequacy of documentary evidence to support Auditor conclusions in the provision of any assurance.</p> <p>(ii) The Audit Charter and procedural manual refers to auditor’s responsibility to adhere to professional code of ethics, and thereby acting with integrity.</p> <p>(iii) Staff code of conduct and ethical behaviour – Standards of Public Life’s <i>Seven Principles of Public Life</i> apply to all Council employees as public servants.</p>			
<p><b>CONFORMS</b></p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	
<p><b>2. Demonstrates competence and due professional care.</b></p>			<p><b><u>Improvement Actions in adherence with PSIAS</u></b></p> <p>2(i) Auditor skills and competencies framework has been prepared, to be</p>
<p>Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?</p>			

<p><b><u>Evaluation and areas to highlight</u></b></p> <p>(i)The effectiveness of any Internal Audit Service depends significantly on the quality, training, and experience of its staff. Training and development needs of individual staff are identified through corporate performance management processes and monitored through supervision and feedback.</p> <p>(ii)The audit team collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities. The in-house team hold considerable local government internal audit experience (35 years combined). Contracted resource sought also possess considerable audit experience/knowledge/skills.</p> <p>(ii) The Council has always supported the audit team in pursuing professional internal audit qualifications, recognising that this contributes to continually improving proficiency, effectiveness, and quality of services.</p> <p>The CAE holds the full chartered professional internal audit qualification (CMIIA) in accordance with PSIAS requirements, gained in 2002. The Senior Auditor undertook Association of Accounting Technicians (AAT) training prior to 2015.</p> <p>(iii)Opportunities for seeking continuous professional development and gaining a professional internal audit qualification have been encouraged and supported across the audit function, to further enhance learning and supplement experience gained ‘on the job’.</p> <p>(iv) Specialist ICT audit expertise and other knowledge areas are sought to plug skills gaps in delivering the audit plan (co-sourcing).</p> <p>(v) Coaching has been undertaken during 2021 with positive outcomes, as part of the Council’s corporate approach to enhance management development.</p> <p>(v) Audit information obtained during a review or investigation is treated confidentially and access to such information is restricted.</p>			<p>completed across the team to support ongoing monitoring of training and development needs.</p>
<p><b>CONFORMS</b></p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>	
<p><b>3.Is objective and free from undue influence (independent).</b></p>			<p><b><u>Improvement Actions in adherence with PSIAS</u></b></p>
<p>Having regard to your review of conformance with the</p>			

Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?

**Evaluation and areas to highlight**

- (i) The CAE has continued to promote the importance of objectivity and independence in delivering all aspects of internal audit activity. This ensures benefits to the authority are maximised, to provide the Chief Finance Officer (Section 151 Officer) with the key assurance he needs in managing the financial affairs of the authority as well as provision of effective assurance to the corporate management team and Audit Committee.
- (ii) PSIAS (*Standard 1110- Organisational Independence*) refers to the CAE reporting to a level in the organisation that is equal to or higher than the corporate management team. This represents an administrative (day to day) reporting line for the purpose of PSIAS. From March 2020, the CAE'S direct reporting line to the Group Head of Corporate Governance took effect.
- (iii) As part of further safeguards around preserving audit independence and objectivity, a dotted reporting line from the CAE to the CFO was introduced in March 2020 and the dotted reporting line to the Chief Executive remains as before. This practice remains fully endorsed and is reflected in the organisational structure chart for the Council.
- (iv) The purpose, authority and responsibility of the internal audit activity is defined in an internal audit charter of July 2019 (approved by the Audit Committee). This refers to the CAE having direct and unrestricted access to senior management and the board, with free and unfettered access to the Section 151 Officer, Chief Executive and Chair of the audit committee. Therefore, these reporting arrangements preserve the CAE'S independence and objectivity.

(v) In accordance with PSIAS the CAE reports functionally

3(i) Review of the Audit Charter is planned to take place by October, for reporting to Audit Committee in November 2022. (There are no significant updates anticipated).

3(ii) Biennial review of the Charter is to be scheduled going forward and included in the Audit Committee work programme.

3(iii). The CAE to arrange independent meetings with the Chair of the Audit Committee (at least one formal meeting a year as per PSIAS)

<p>to the Board, on the basis that the board:</p> <ul style="list-style-type: none"> <li>• approves the internal audit charter</li> <li>• approves the risk-based audit plan</li> <li>• receives several reports on internal audit activity</li> </ul> <p>(vi) Whilst several productive discussions and meetings were held during 2021/22 with the Chair and Vice-Chair of the Audit Committee, these were not specifically independent of Council Officers.</p> <p>(vii) The Internal Audit function remains independent from involvement in other operational activities, except for corporate risk management and corporate counter fraud oversight as highlighted in the Audit Charter. The Charter gives reference to safeguarding arrangements to ensure audit independence and objectivity is not compromised in view of these additional responsibilities.</p> <p>(viii) Relevant Disclosures - Annual Declaration of Interest submissions to ensure there are no personal connections that may impact auditor judgement (no interests have been disclosed by Auditors during 2021 or 2022 – to date)</p> <p>(vix) Auditors are expected to disclose all relevant material facts as part of the audit process to ensure accurate reporting of activities under review.</p>		
<p><b>CONFORMS</b></p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>
<p><b>4.Aligns with the strategies, objectives, and risks of the organisation.</b></p>		<p><b><u>Improvement Actions in adherence with PSIAS</u></b></p>
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?</p> <p><b><u>Evaluation and areas to highlight</u></b></p> <p>(i)A risk-based approach to audit planning is undertaken and the 2021/22 plan (approved by Audit Committee in March 2021) aligned closely with the Council’s corporate priorities emerging at that time, objectives and key corporate risks. Audit resource is prioritised and focussed</p>		<p>There are none arising.</p>

on the most significant risks that impact the achievement of the Council's priorities, as well as other medium and higher risk areas identified from the audit planning process. This approach has also been applied for the 2022/23 audit plan/planning process. Group Heads and Managers are closely consulted as part of the audit planning process.

(ii) A prioritisation ranking of A or B was assigned to workstreams on the audit plan and reviewed during the year to consider the need for any reprioritisation and refreshing of the plan.

(iii) As the CAE periodically coordinates and reports on the Corporate (Strategic) Risk Register, this awareness of the Council's significant risks inform audit work, ensuring greater alignment.

CONFORMS	PARTIAL	NOT CONFORMING
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**5. Is appropriately positioned and adequately resourced.**

Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?

**Evaluation and areas to highlight**

(i) Internal Audit's organisational position and the CAE's administrative (line management) reporting arrangements sit under Group Head of Corporate Governance. See earlier comments under Principle 3 relating to Organisational Independence and Objectivity and wider reporting lines for the CAE.

(iii) Further to discussion with the management team, the Internal Audit Manager has outlined some alternative options for consideration in addressing service priorities and audit need/wider business need. The Group Head of Corporate Governance will be advising the Audit Committee further on resourcing for Internal Audit.

CONFORMS	PARTIAL	NOT CONFORMING
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**Improvement Actions in adherence with PSIAS**

5.(i) The new Group Head of Corporate Governance will be advising the Audit Committee further on audit resourcing.

**6. Demonstrates quality and continuous improvement.**

Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?

**Evaluation and areas to highlight**

1. Annual self-assessments and externally validated self-assessments of conformance to PSIAS have formed an integral part of the Quality Assurance and Improvement Programme (QAIP) for Internal Audit. Identified actions have been reported to the corporate management team and Audit Committee as part of the annual review of internal audit effectiveness.

2. The following two improvement actions previously identified are outstanding as follows:

(a) Preparation of an overall assurance framework (map) incorporating the three lines of defence is resource intensive and in line with best practice the corporate management team will be responsible for owning this framework and allocating resources to undertake the groundwork for this corporate task. Any such framework does need to be developed over time, requiring input from various Services including Internal Audit. *Status- This corporate piece of work has not progressed as priority has been given to continue to support pandemic recovery across all Service areas. Organisational capacity remains stretched. Consideration has however been given to alternative sources of assurance as part of the audit planning process as this contributes to decisions around inclusion of work areas on the plan i.e., where reliance can be placed on alternative sources of assurance then audit reviews may not be undertaken or reduced coverage.*

(b) An audit strategy document to supplement the audit charter and set out how the audit service will be delivered and developed. *Status – This is currently outstanding as we were awaiting the outcome of the growth bid for additional audit resource during 2021/22, which was confirmed as unsuccessful in March 2022. Clarity on future resourcing levels will help to shape the parameters of an audit strategy. The strategy document will also set out the*

**Improvement Actions in adherence with PSIAS**

(i). Future reporting could include the percentage of agreed audit recommendations implemented in a given period as this demonstrates a measurable outcome.

(ii) Produce a strategy document for Internal Audit, further to the new Group Head of Corporate Governance advising on audit resourcing.



*purpose and vision of Internal Audit and its links to organisational objectives and corporate priorities under development.*

3. Internal Audit's activity and performance is managed through the Council's corporate performance management framework and key targets include statutory reporting to the Audit Committee (3 times a year with several reports and supporting processes). There may be scope for quantified reporting on the level of recommendations implemented to supplement follow up work already undertaken.
4. Audits undertaken are subject to a quality review process by the CAE, giving due regard to compliance with audit processes and risk-based methodologies set out in PSIAS when performing engagements, delivering audit objectives/scope, and communicating results.

**CONFORMS**

PARTIAL

NOT CONFORMING

7.Communicates effectively.	<b><u>Improvement Actions</u></b> <b><u>in adherence with</u></b>

Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?

**Evaluation and areas to highlight**

Internal Audit communicate the results of engagements and opinions in an appropriate way.

- (i) The CAE delivered an evidence based annual internal audit opinion for 2021/22 on the overall adequacy and effectiveness of the organisation’s internal control environment, risk management arrangements and governance framework. This is a key outcome of internal audit activity and forms part of the annual audit report and Annual Governance statement for 2021/22.
- (ii) Draft reports are discussed with the appropriate levels of management to confirm factual accuracy, seek comments, explain the rationale for any recommendations raised, and confirm the agreed management actions.
- (ii) Communications of engagement results to appropriate parties include objectives and scope, applicable conclusions and recommendations arising prioritised according to perceived risk. It also includes observations and advisory points in some instances.
- (iii) Assurance opinions are supported by sufficient, reliable, relevant, and useful information.
- (iii) Monitoring processes are in place to follow up the status of agreed audit recommendations with subsequent reporting to the corporate management team and Audit Committee.
- (iv) Communications are generally accurate, objective, clear, concise, constructive, complete, and timely. Audit assurance activity highlights improvement actions to reduce risk and strengthen/enhance control (where appropriate), to support management and benefit/protect the authority. There have been a few cases of delayed management responses to audit reports or insufficient proposed action in addressing recommendations, causing delays in finalising the audit process. It is recognised that overstretched corporate capacity is likely to be a contributory factor. Escalation procedures are in place and invoked as necessary, although the preference is always

**PSIAS**

7(i).Improving the timeliness and in some cases adequacy of management responses to audit recommendations is a consideration for the corporate management team and Audit Committee. It is recognised that corporate capacity remains stretched.

to work collaboratively in finalising assignments.			
<b>CONFORMS</b>	PARTIAL	NOT CONFORMING	
<b>8.Provides risk-based assurance.</b>			<u><b>Improvement Actions in adherence with PSIAS</b></u>  There are none arising
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?</p> <p><b><u>Evaluation and areas to highlight</u></b></p> <p>(i)A risk-based approach is applied to determine the annual audit plan of activity through consultation with Group Heads and Managers. The planning process also takes into account the Corporate Risk Register representing the Council’s most significant risks, corporate priorities, budget implications, any known system weaknesses or vulnerabilities, fraud and irregularity etc. Any reprioritisation of the plan during the year takes account of the level of risk associated with an auditable area.</p> <p>(ii) Risk Based auditing methodology is applied to assurance reviews. This facilitates the identification and assessment of risks that may impact on the achievement of service objectives, evaluating the effectiveness of control processes and mitigation measures operating to manage those risks and where appropriate issuing audit recommendations to enhance organisational controls, reduce risk and improve governance arrangements. In the provision of independent risk-based assurance, Internal Audit therefore uses a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation in adherence to PSIAS.</p> <p>(iii) Assurance opinions are provided for each audit review to indicate the level of assurance provision.</p> <p>(iv)Audit recommendations are risk rated to indicate prioritisation for action (Low/Medium/High).</p> <p>(v)Risk and control implications are also considered as part of any advisory pieces of work.</p>			

<b>CONFORMS</b>	PARTIAL	NOT CONFORMING	
<p><b>9. Is insightful, proactive, and future-focused.</b></p>			<p><b><u>Improvement Actions in adherence with PSIAS</u></b></p> <p>There are none arising.</p>
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?</p> <p><b><u>Evaluation and areas to highlight</u></b></p> <p>There are examples of Internal audit being proactive, insightful, and future-focused by advising on emerging and evolving risks (for example analysing the Council's risk exposure to wider externalities and the impact), new systems, processes and projects, thereby adding value to the Council. The importance of Internal Audit's involvement in these advisory activity areas continues to be recognised and promoted by the internal auditing profession. Audit capacity may however impact the level of proactive advice and input that the team can provide, so relative significance is considered as part of service prioritisation.</p>			
<b>CONFORMS</b>	PARTIAL	NOT CONFORMING	
<p><b>10. Promotes organisational improvement.</b></p>			<p><b><u>Improvement Actions in adherence with PSIAS</u></b></p> <p>There are none arising.</p>
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?</p> <p><b><u>Evaluation and areas to highlight</u></b></p> <p>There are various examples of Internal Audit promoting organisational improvement.</p> <p>(i) Internal Audit issue recommendations to enhance organisational controls, reduce risk and improve governance arrangements across a wide range of auditable areas.</p>			

<p>(ii) Each audit review represents a unique piece of work tailored to the specific risks and audit objectives, aimed to achieve quality outcomes (we don't simply apply a checklist approach).</p> <p>(iii) A varied work programme (audit plan) is produced by the Internal Audit Manager incorporating several workstreams, considering topical risks and relevant areas of work. Audit assurance assignments continue to extend beyond traditional audit areas, to ensure we are aligned with current audit practices/approaches in providing assurance across the Council and adding value. During 2021/22 we concluded on a piece of work around workplace culture and this produced recommendations designed to enhance and protect organisational value, whilst recognising the progress underway by the authority.</p>		
<p><b>CONFORMS</b></p>	<p>PARTIAL</p>	<p>NOT CONFORMING</p>

Punita Talwar  
Internal Audit Manager  
July 2022

# Audit Committee

28 July 2022



<b>Title</b>	Annual Internal Audit Report for 2021/22 ( <b>UPDATE</b> )
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	All Priorities: Community Affordable housing Recovery Environment Service delivery
<b>Recommendations</b>	<b>Committee is asked to:</b>  1. Note the Annual Internal Audit Report for 2021/22. 2. Note the annual audit opinion on the Council's internal control environment, risk management and governance arrangements.
<b>Reason for Recommendation</b>	Not applicable

## 1. Summary of the report

- 1.1 This report seeks to summarise Internal Audit findings and sets out the independent audit opinion of the Internal Audit Manager for the 2021/22 period. This audit opinion relates to the Council's systems of internal control, risk management and governance arrangements.

## 2. Key issues

- 2.1 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)

- 2.2 Internal Audit findings and observations, advisory and support work (constituting direct audit work) form the basis of the annual audit opinion on the adequacy of the authority’s internal control environment, risk management and governance arrangements. In addition, the Corporate Risk Register and Covid-19 Risk Assessment are considered in preparing the overall audit opinion. The opinion represents a key source of assurance for the authority and 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 2021/22 period (paragraph 2.7 – 2.8), who under Public Sector Internal Audit Standards (PSIAS) represents the Chief Audit Executive at Spelthorne.
- 2.3 Most planned assignments have been finalised, with a few at draft report stage. The 2021/22 audit plan has had a degree of fluidity to accommodate the ongoing impact of the pandemic on the authority. Nonetheless, the team have worked diligently to provide assurance across a diverse workplan, feeding into the annual audit opinion.
- 2.4 Appendix 1 summarises Internal Audit reviews carried out in 2021/22 highlighting assurance opinions. Audit reports include recommendations aimed at reducing risks and strengthening internal controls. Progress on implementation of audit recommendations (status) has been requested/recorded where sufficient time has elapsed since issuing audit recommendations. In other areas, confirmation of recommendations agreed for implementation by the corporate management team, Group Heads and managers has been recorded.
- 2.5 In addition to planned assurance reviews, there are several other workstreams undertaken by the team (including corporate roles and tasks), details for which are set out at Appendix 1. Some examples of how Internal Audit supports the organisation in achieving its objectives and adds value are summarised below:
- (a) **Statutory Reporting to the Audit Committee** – Several reports are produced and presented in accordance with the Committee work programme. This ensures adherence to Public Sector Internal Audit Standards (PSIAS) and supports corporate governance arrangements.
  - (b) **Advisory Role** - Reactive and pro-active advice provided to services, corporate groups and management team on various risk and control issues.
  - (c) **Counter Fraud Oversight** - Coordination and reporting of counter fraud outcomes and initiatives for tackling high risk public fraud through continued collaborative working with partners. The Internal Audit Manager prepared a detailed analysis of returns achieved across high-risk fraud categories over specific time periods, presented in the interim audit report of November 2021.
  - (d) **Corporate Risk Management** – Coordination and reporting on the Council’s Corporate Risk Register representing the Council’s most



significant risks. Training was delivered in September 2021, to inform and raise awareness of recommended approaches to risk management. This was used to promote and launch the corporate risk scoring model.

- 2.6 The Internal Audit function has operated at 1.75 FTE during 2021/22 and procured some Contractor Audit resource (within budget) to support delivery of planned assignments and specialist areas. The bulk of contracted work is undertaken from Quarter 4 to coincide with workload peaks.

## 2.7 Annual Audit Opinion

### Annual Internal Audit Opinion 2021/22

Important considerations in undertaking assurance workstreams and producing the annual audit opinion are set out at points 1 & 2 below:

- (1) The challenges around recovery from the global pandemic throughout 2021/22, and the wide-reaching risk implications for Spelthorne Borough Council.
- (2) The significant impact of wider externalities and other local issues in exacerbating some of the Council's strategic risks, effecting timely achievement of corporate priorities and objectives.

Several factors during 2021/22 have had an adverse impact on the achievement of Council priorities and objectives, and whilst these may not all be attributable to weaknesses in systems of internal control, this is a matter of significance for the Council (as highlighted at point 2 above).

The opinion of the Internal Audit Manager on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control is that on balance **reasonable assurance** can be provided across these areas, based on our 2021/22 work. The Council has many established internal systems of control that are sufficiently designed to effectively manage risks. However, it is recognised that improvements were recommended to address *the operation of the control environment* based on control weaknesses identified across several areas including some issues and areas of non-compliance, representing medium to high priority risks. Furthermore, scope for enhancements to internal controls have been raised or recommended in some areas.

Internal Audit have consulted managers (corporate management team, Group Heads and managers) to agree and monitor the implementation of recommendations or discuss improvement actions to address risks and enhance the robustness of the authority's control environment and governance arrangements. Where actions have been taken to address issues arising from audit work performed, this is acknowledged.

Punita Talwar  
Internal Audit Manager, Spelthorne Borough Council  
Chartered Internal Auditor (CMIIA), BA (Hons)

May 2022

The annual audit opinion should be considered in conjunction with the key themes and issues arising from Internal Audit's work as this provides greater insight, as well as examples of good practice, set out below at paragraph 1.8. More detailed reference to Internal Audit's work for 2021/22 is included at Appendix 1.

## **2.8 Key themes and issues arising from Internal Audit's work 2021/22 including good practice areas**

In addition to the themes and issues highlighted in the table below, Internal Audit reported on several areas of good practice and robust controls, such as:

- Emergency Planning - Emergency and crisis response planning gave due consideration to "lessons learnt " from emergency response efforts during the COVID-19 pandemic, with a view to building upon good practices identified, and enhancing Emergency Planning arrangements including necessary revision of plans.
- Opportunities - Seizing positive opportunities to adapt flexible working approaches set up during the start of the pandemic and introduction of a hybrid model, to derive ongoing benefits.
- Revenues – Fees and Charges - Established and robust mechanisms in place to monitor fees and charges income with periodic reporting to the Corporate Management Team and Members on variance levels and overall financial position. This has been particularly important during a period where the Council's income streams remain under challenge.
- Commercial Assets- Robust monitoring arrangements for commercial asset income with a collection rate of 99.98% for 2021/22, despite the pandemic and wider challenges of the macroeconomic environment presenting increased risks of tenant failure and void periods. Continued financial modelling and scenario planning for the sinking fund.
- Property Development - Quantification and measurement of the financial impact costs resulting from delayed property schemes, as well as viability assessments. Regular project monitoring, progress reporting and visibility to Members on schemes and financial position.
- Treasury Management –The half-yearly report including RAG rating performance against defined indicators. Benchmarking carried out by the Council's treasury advisors indicated that Spelthorne's performance compared favourably on investments compared to other Councils.
- Business Support Grants (Phase 2)– Prompt administration and processing of grants relating to multiple government schemes to support local businesses at a critical time; application of Spotlight, a tool to complement pre-award due diligence checks and highlight areas of risk to inform grant-making decisions.

- ICT General Controls Health check - Barracuda Web Security Gateway software is used to provide proactive web security including the identification and blocking of potential known spyware/ virus threats; real time capacity reporting is used to identify any bandwidth/ performance issues; the configuration of internal and external firewalls provides increased resilience as it provides a redundant/ failover facility in the event that one fails; Active directory passwords are configured to require a good standard of complexity; a backup routine is in place to ensure regular backups of systems and data are taken and stored offsite for increased resilience.
- ICT Network Infrastructure - An annual penetration test is undertaken to identify any network issues/ vulnerabilities to be addressed; Internal vulnerability scanning of the network is undertaken on a weekly basis; Network security roles and responsibilities are defined as part of the Information Security Policy framework.

<b><u>Issues Identified/Risk Implications</u></b> <b><u>Relates to 2021/22 Period</u></b>	<b><u>Action and status – Refreshed at July 2022</u></b>
<p><b><u>1.Covid-19 Pandemic recovery</u></b></p> <p>Continued reporting of significant risks where the impact of the pandemic on recovery has been most prevalent. The Council’s pandemic recovery risks relate to the following broad risk categories:</p> <ul style="list-style-type: none"> <li>• Economic recovery</li> <li>• The Council’s financial position</li> <li>• Health and Safety</li> <li>• Failing to seize positive opportunities from the pandemic experience</li> <li>• Homelessness and Housing</li> </ul> <p>Competing global crises and wider externalities such as the macro-economic environment, post-Brexit , geopolitical situation and conflict in Ukraine have further compounded the challenges of recovering from a global pandemic. Risk categories significantly influenced by these externalities were considered and</p>	<p><b><u>Management Action:</u></b> (i) <i>The prioritised actions underway or for perusal to manage the significant risks have been highlighted in the Covid-19 risk assessment and summary report (reported to the Audit Committee throughout 2021/22).</i></p> <p>(ii) <i>The Council’s broader pandemic recovery plan and action plans continue to support residents, businesses, and local communities (periodically reported to Policy and Resources Committee).</i></p> <p>(iii) <i>Introduction of additional risk reporting from July 2022 focussing on the Council’s risk exposure to wider externalities and impact as these present significant challenges for the Council’s economic prosperity, financial position, and the communities it serves, (as well several other implications), thereby adversely impacting the level of recovery, sustainability of service provision, corporate capacity levels and delivery of corporate priorities.</i></p>

<p>highlighted during 21/22 as part of pandemic recovery risk analysis.</p>	
<p><b><u>2. Corporate Risk Register</u></b></p> <p>Corporate risks impacting the effective achievement of the Council's corporate priorities have been periodically reported. Some examples of risk categories assigned a red RAG rating during 2021/22 (representing the most significant risks for the authority) are highlighted below:</p> <p><b>i. Economy</b> - The economic risks including the macroeconomic environment (in particular inflationary pressures and rising interest rates) continue to have an impact on Council operations, consumer activity, revenue streams and finances as it recovers from the pandemic. The rise in living costs including the energy and fuel crisis as well as the implications arising from the geopolitical situation and Ukraine crisis present wider consequences.</p> <p><b>ii. Overstretched corporate capacity</b> and significant workload pressures remains a significant corporate risk area. There are many adverse consequences including workforce fatigue and stress, adverse impact on health and wellbeing, reduced staff morale, resignations and losing sight of priority focus areas impacting service delivery.</p> <p><b>iii. Recruitment and retention</b> – challenges reported in effectively recruiting to some technical roles with implications for gaps in skills/expertise/knowledge and service quality delivery, as well as necessity for additional consultancy costs. A reasonable level of staff departures have occurred including loss of key personnel during the period.</p>	<p><b><u>Management Action:</u></b> <i>The controls and mitigation measures are set out in the Corporate Risk Register. Prioritised actions underway or for perusal to manage corporate risks are highlighted on the Risk Action Plan accompanying the summary report (as reported to the Audit Committee throughout 2021/22). These will continue to be monitored.</i></p> <p><i>Corporate Risk reporting has been recently expanded to include the Corporate Policy and Resources Committee. From 2022/23, wider Committees of the Council will be expected to consider relevant risk categories on the Corporate Risk Register, ensuring greater collective ownership in addressing or mitigating strategic risks.</i></p> <p><i>It is envisaged that the planned LGA Corporate Peer review scheduled for November 2022 could provide greater direction and insight in supporting the Council to address its most significant issues and risks.</i></p>

<p><b>iv. Sustainability and Climate Change</b> – Given the risk significance of Climate Change on a global/national/local level and the Government’s commitment to net zero carbon emissions by 2050, this remains a significant strategic risk area.</p> <p><b>v. Housing – Development Targets and Affordable provision</b> – please refer to the next section of this table elaborating the key issues and risk implications.</p>	
<p><b><u>3. Property development schemes - Impact of delays and rising building costs</u></b></p> <p>A significant issue relates to the adverse impact of the self-imposed Staines-Upon-Thames moratorium (effective from January 2021 to January 2022), delayed progression of property development schemes, and steep increases to construction, supplier, labour and material costs. These combined factors also influenced by wider externalities of a global nature have led to:</p> <ul style="list-style-type: none"> <li>(i) Re-assessment of the financial viability of schemes</li> <li>(ii) Implications for Council’s budget and financial position</li> <li>(iii) Adverse effects, shortfalls, and delays in the achievement of development targets, the housing delivery programme and provision of housing (affordable and other) across the borough, ultimately impacting local communities and delivery of corporate priorities.</li> </ul>	<p><b><u>Management Action:</u></b> <i>Please refer to the Corporate Risk Register and action plan, setting out prioritised actions underway or for perusal.</i></p>
<p><b><u>4. Operational Resilience</u></b></p> <p>Resilience issues and challenges have been observed across more than one service area. It is particularly apparent where vacant posts have remained unfilled for a considerable time and where technical/other key roles are solely undertaken by one individual placing</p>	<p><b><u>Management Action:</u></b> <i>Collaborative working and Partnerships are being explored with a view to enhancing organisational and service resilience and promoting career opportunities, contributing to staff retention measures. A councillor Working Group is in place.</i></p>

<p>much reliance on the expertise of that Officer. Whilst it is accepted that small teams inevitably present some challenges in achieving effective resilience, it is important to reiterate the risk implications of weakened resilience on service delivery.</p>	
<p><b><u>5.Decision Making</u></b></p> <p>From May 2021 the implementation of a Committee system presented a new governance structure, underpinning Council business and the decision-making process.</p> <ol style="list-style-type: none"> <li>1. Delayed and inefficient decision making has been a recurrent theme from feedback of the new Committee system. With regards to achieving the Council's property development targets / housing delivery programme, it is apparent that the heightened risk of delayed decision-making and the associated costs of non-development is significantly impacting on Council business, finances, and timeframes for delivering corporate priorities and service objectives.</li> <li>2. The current level of collaboration across different Committees as well as varying skillsets, knowledge and experience is not particularly conducive to effective and informed decision making.</li> <li>3. Under a Committee structure of governance and where there is no independent overview and scrutiny committee built in at project design stage, greater emphasis is placed on robust scrutiny activity at pre - decision stage. The new Committee system does not however appear to have embedded increased overview and scrutiny, possibly</li> </ol>	<p>Several recommendations arising from the audit review of the Committee system of governance were reported to Corporate Policy and Resources Committee on 20 April 2022. These broadly relate to decision making, scrutiny and challenge, training and awareness, standards of conduct, roles and responsibilities, and embedding core governance objectives. Please refer to Appendix 1.</p> <p><b><u>Action:</u></b> <i>Given that the Committee system of governance is integral to council business and the decision-making process, collective corporate responsibility and ownership will assist addressing the risks, issues and recommendations raised. All recommendations have been accepted.</i></p> <p><i>The Committee System Working Group(CSWG) and Committees team are pursuing developments to enhance the way the new Committee system operates. The CSWG have a pivotal role in monitoring the achievement of the core governance objectives defined at the outset.</i></p>

<p>due to a lack of awareness on how to effectively apply.</p>	
<p><b><u>6.Error/Fraud/Relaxation of established control processes</u></b></p> <p>The additional workstreams, challenges and associated pressures arising from the pandemic and ongoing recovery have continued to impact Services across the authority during 2021/22 (and beyond). It is widely acknowledged that pressurised environments are likely to increase the risk of human error or oversight.</p> <p>Internal Audit have identified the occurrence of errors and instances of weakened control processes operating in some functions, possibly arising from the relaxation/adaptation of controls in a remote working environment, as well as heavy workload pressures. Consequently, there are heightened risk implications to the authority related to error, fraud, financial losses, and additional staff time in rectifying erroneous transactions processed including recovery of duplicate payments.</p>	<p>As part of established governance arrangements, the Chief Finance Officer requires Managers to sign off an annual statement reinforcing accountability in operating adequate systems of internal control.</p> <p>Whilst a pragmatic and balanced approach has been necessary during the pandemic, it remains prudent that going forward Managers continue to monitor internal control arrangements for their respective functions and take on board any related audit recommendations (referred to at Appendix 1).</p> <p><i>The improvement measures highlighted in the Creditors audit report to address the weakened operation of some controls includes authorisation of payment runs, independent review of financial reconciliations and duplicate payments, maintaining supporting documentation for financial activity, and timely processing of credit card transactions.</i></p> <p><i>The improvement measures highlighted in the Council Tax audit report to address the weakened operation of some controls includes regular review of outstanding and historic credit balances on accounts, prompt write off activity and processing in accordance with policy, maintaining quantitative evidence to demonstrate proactive counter fraud measures undertaken for quantified inclusion in Spelthorne’s quarterly fraud returns.</i></p> <p><i>Customer Services confirmed that controls were tightened during the administration of the second phase of grants to minimise loss of public funds (Business Support Grants).</i></p> <p><i>Improvement measures and enhancements highlighted in the Treasury Management report relate to updating the Treasury Management Policy statement, transaction authorisation and record keeping, performance monitoring and reporting.</i></p> <p><b><u>Management Action:</u></b> Some audit recommendations have been implemented with</p>

	<p><i>target dates agreed for other actions. Other recommendations are under discussion.</i></p>
<p><b><u>7.Integration of software with Council’s main financial system</u></b></p> <p>Blue Box software has been implemented by the Assets team to assist with the management of the Council’s property portfolio. It is being used to generate invoices and administer commercial rental income and other rental income due from the Council’s wider housing delivery programme.</p> <p>It was confirmed through discussion with management that there are no automatic interfaces in place between the Blue Box application and Integra/ other finance systems and that no data is transferred between them.</p> <p>However, Integra is the Councils financial accounting system and at the present time Blue Box undertakes some primary accounting functions that does put the Council’s rental income at unnecessary risk. Blue Box is undertaking an initial accounting function and data then has to be manually transferred to Integra. This “double handling” of rental income could give rise to delay or at worst loss, with implications for the Council’s financial accounting records.</p>	<p>A recommendation has been raised in the internal audit review of Commercial Assets, as it is important that the integration of any standalone software with the Council’s main financial system is working effectively to support system integrity, enabling accurate and reliable reconciliations/management information/financial accounts reporting.</p> <p><i>The risk highlighted in the left column can be eliminated by allowing Integra to be the primary accounting solution for all investment property income and to allow Blue Box to run as a lease management solution only to control the lease agreement details. Integra is undergoing a major upgrade to Centros with extended functionality and system capability including management reporting. This therefore provides a timely opportunity to consider and pursue this change.</i></p> <p><b><u>Management Action:</u> In principle the recommendation is supported. Under discussion in terms of next steps.</b></p>
<p><b><u>8. ICT and HR - Strategies, frameworks, policies, and procedural documents</u></b></p> <p>There were found to be several ICT related strategies and policies that had not been reviewed or updated for some time. It is important that these are periodically reviewed to capture any changes and improvements to current practices, supporting consistent application across the ICT team and workforce.</p>	<p>Please refer to Appendix 1, sections 12 &amp; 13 &amp; 14 , setting out recommendations from reviews of ICT (general controls), ICT (Network Infrastructure) and HR/Payroll.</p> <p><b><u>Management Action:</u></b></p> <p><i>ICT - Most audit recommendations have been implemented with a couple of areas underway or ongoing.</i></p> <p><i>HR/Payroll – Service area have advised that all HR policies and procedures requiring statutory</i></p>



It was also identified that some HR Policies and Procedures would benefit from refreshing and review, to ensure there is a clear reference point that supports processes followed, further protecting both the Authority and its employees. Linked to this the absence of an overarching HR strategy was noted.

*changes are updated. No overall HR strategy is being taken forward at this point.*

### 3. Options analysis and proposal

3.1 There are no options.

### 4. Financial implications

4.1 The Corporate fraud returns collated by Internal Audit demonstrate the cumulative financial returns/savings achieved (both cashable and non-cashable). In the interim audit report of November 2021, the Internal Audit Manager provided a detailed analysis of returns achieved across high-risk fraud categories over several years, including cumulative breakdowns. Spelthorne's overall savings/fraud losses prevented for the financial year 2021/22 amount to **£338,910**. This is based on applicable financial savings advised by the NFI (Cabinet Office) across each of the high-risk public fraud categories, and is broken down in the table below:

Category	Homeless and Prevention based on NFI (Cabinet Office) saving of £3240 per case	Social Housing based on NFI (Cabinet Office) saving of 93,000 per case	Housing Benefits and Council Tax Support based on NFI methodology	Housing Register based on NFI (Cabinet Office) saving of £3240 per case	Totals Rounded
£ Savings to the public purse / losses prevented	48,600	186,000	45,990.49	58,320	<b>£339k</b>
Cashable savings directly to Spelthorne*	-	-	TBC	-	

Proportion of annual return figure for 2021/22	14%	54.9%	13.6%	17.2%	
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- 4.2 During 2021/22 there were two referrals made to Reigate’s counter fraud team relating to Council Tax - Single Person Discount as well as two further referrals made for Business Support Grants. Further to investigation of these cases no positive outcomes were concluded, so there are no fraud savings generated from these referrals.
- 4.3 Cashable savings to the authority derived from fraud prevention and detection work can be more easily quantified for areas such as Council Tax, Business Rates and Council Tax Support. It is less straightforward to quantify cashable savings achieved for Housing related categories such as Homelessness, social housing and housing register cases, but the wider benefits of reducing the financial burden of having more families in Bed & Breakfast or temporary accommodation and freeing up social housing to those families and individuals in genuine need, along with reduced waiting times on the housing register should be recognised. This consequently relieves some pressure for the Council’s Housing Service.

## 5. Risk considerations

- 5.1 Please refer to the table under section 1.8 for key themes, issues and risk implications for the Council, highlighted through the work of Internal Audit (relating to 2021/22) including how these will be addressed or mitigated. Implementation of audit recommendations included at Appendix A will reduce risks for the authority and enhance the robustness of the control environment which is acknowledged by the Councils Management Team and the Audit Committee.

## 6. Legal considerations

- 6.1 Production of an annual audit report and annual audit opinion forms a requirement under the mandatory Public Sector Internal Audit Standards (PSIAS).

## 7. Other considerations

- 7.1 Some internal systems of control continue to be adapted to ensure greater alignment to remote ways of working, in particular financial processes.
- 7.2 Due to the additional work pressures arising from the impact of the pandemic across the authority during 2021/22 with ongoing implications, Internal Audit have observed relaxation of defined control processes in some areas. Whilst in the circumstances some weakening of the operation of established controls is not surprising, it is highlighted again here for reference and will continue to be monitored.
- 7.3 Failure to undertake internal audit work to the required professional standards would lessen the reliability of assurance provision to the Council that effective control systems are in place and could result in an increase in the Council’s annual external audit fee.

## **8. Equality and Diversity**

8.1 There are no implications for this area arising from internal audit recommendations or internal control issues raised.

## **9. Sustainability/Climate Change Implications**

9.1 There is inclusion on the Council's Corporate Risk Register, given that it represents a significant risk category.

## **10. Timetable for implementation**

10.1 Implementation of audit recommendations and audit status (open or closed) will continue to be periodically monitored as part of the follow up process.

## **11. Contact**

11.1 Punita Talwar, Internal Audit Manager. [P.Talwar@splethorne.gov.uk](mailto:P.Talwar@splethorne.gov.uk)

### **Background papers:**

**Internal audit reports**

**Internal audit working papers**

**Correspondence or discussions on risks and controls/issues arising**

**Audit Advisory work**

**Corporate Risk Register (published)**

**Covid-19 Pandemic Recovery - Risk Considerations (published)**

**Counter Fraud Returns**

### **Appendices:**




**Appendix A –Workstreams undertaken by the Internal Audit team relating to 2021/22**

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The role of **Internal Audit** is to provide independent **assurance** that an organisation's risk management, governance and **internal** control processes are operating effectively. An assurance opinion (key) is attached to Internal Audit reports and recommendations are made based on the traffic light system (Red, Amber, Green).

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

**~ RECOMMENDATIONS** (Column 4/5 of table):

High		Urgent action required to reduce exposure to high risk/ major adverse impact on achievement of organisational objectives.
Medium		Action required to avoid exposing the organisation to significant risks.
Low		Desirable action to enhance control, improve value for money and minimal impact on organisational objectives.

**# Internal Audit Recommendations Status Key (Column 6 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. An 'open' audit is where issues or recommendations raised need to be addressed, unlike a 'closed' audit.**

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Audit Review	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations or issues/observations arising Red (Column 4) / Amber or Green (Column 5)	#Current Status of recommendations /implementation
<p>1. Commercial Assets and Investments. This incorporates a review of Blue Box Software (commercial income strand)</p> <p>All findings discussed with Property Development Manager, and some areas raised with Chief Accountant and Chief Finance Officer.</p> <p>Draft report - July 2022.</p>	<p><b>Some Improvement Needed</b></p>	<p>Property Development Manager and operational lead for Assets until new Group Head appointed</p>	<p>1.Consideration be given to transferring all the accounting actions regarding rental income currently undertaken within “Bluebox” to the Integra financial system. Given the major system upgrade of Integra to Centros currently taking place, this would appear to be a timely opportunity to consider this change.</p> <p>2.Should recommendation 1 be adopted then the resilience risk of only one person understanding the Bluebox software is significantly reduced. Should recommendation 1 not be adopted, consideration to be given to expanding the knowledge base within the Property and Development Team so that more than one person</p>	<p><b>Open Audit.</b> Management responses are being considered/provided.</p>

				<p>has a working knowledge of the Bluebox software.</p> <p>3.Management to review and increase password security settings to enforce stronger passwords within Bluebox in line with the Council Password Policy.</p> <p>4. Ensure the training of a deputy to enable key administrative tasks in the event of absence of the Property Accounts Manager. Sufficient process documentation for Bluebox will ensure continuity of service in the event it is necessary.</p> <p>5. To introduce a documented regular review of user access permissions to Bluebox and ensure this is performed at least on an annual basis.</p> <p>6. It is recommended that one of the user accounts in Bluebox is amended, to reduce the risk of malicious users attempting to gain</p>	
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				<p>access to Council systems and data via the account.</p> <p>7.It is recommended that Assets liaise with the supplier of Bluebox (Trace) to gain further assurance relating to backup and disaster recovery. Specific details have been provided by Internal Audit.</p>	
<p>2. Property Development</p> <p>Draft report – June 2022</p>	<p><b>Some Improvement Needed</b></p>	<p>Property Development Manager</p>	<p>A significant issue relates to the ongoing adverse impact of delayed property development schemes and steeply increased costs and inflationary pressures relating to construction /materials/labour/supplier in terms of</p> <ul style="list-style-type: none"> <li>(i) Financial viability of schemes</li> <li>(ii) Council’s budgetary and financial position/sustainability</li> <li>(iii) Shortfalls in meeting Housing development targets</li> <li>(iv) Insufficient affordable housing provision and delivery of programme</li> <li>(v) Housing need not met directly impacting achievement of corporate priorities.</li> </ul>		<p><b>Closed Audit.</b></p> <p>Whilst there are significant risks and issues highlighted in column 4, these are largely influenced by wider externalities such as the macroeconomic environment, as well as some being more politically driven. On this basis, and acknowledging the risk mitigation measures already underway, there are no specific audit recommendations arising from the review.</p>



<p>3.Treasury Management</p> <p>Findings discussed with Deputy Chief Accountant.</p> <p>Draft report - July 2022.</p>	<p><b>Some Improvement Needed</b></p>	<p>Deputy Chief Accountant and Chief Accountant</p>		<p>1.Treasury Management Policy Statement to be reviewed and updated and made available for public inspection.</p> <p>2.To ensure that the authorised limit for external debt and operational boundary values are clearly and accurately reported and appropriately approved.</p> <p>3.All relevant Prudential Indicators (including actual results) to be reported in line with the requirements set out in Treasury Management Practice 6.</p> <p>4.Full evidence of transaction authorisations should be maintained. Transaction authorisation processes to be reviewed and Treasury Management Practice 5 to be updated to ensure that the dealing arrangements accurately reflect the position in practice, while also ensuring that an</p>	<p><b>Open Audit.</b> Management responses are being considered/provided.</p>
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				<p>appropriate segregation of duties is maintained.</p> <p>5.To ensure that investment monitoring reports are produced in accordance with the requirements of Treasury Management Practice 6. Alternatively, TM Practice 6 to be updated to ensure that the monitoring arrangements reflect a realistic frequency of producing and circulating these reports, whilst not compromising control.</p> <p>6.Weekly meetings already take place between the Deputy Chief Accountant, the Chief Accountant and Deputy Chief Executive to discuss Treasury Management activities. Formal meeting records to be maintained, in particular in relation to decisions being made for investment / borrowing requirements.</p> <p>7.As a good practice point, it may be beneficial for <u>all</u></p>	
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				<p>relevant benchmarking figures to be included in Treasury Management committee reports to provide greater transparency and clarity.</p> <p>8.Consideration to be given to making the internal issues log more structured, in particular around categorising the types of issues being identified in order to quickly and clearly highlight recurring issues and trends.</p>	
<p>4.Creditors</p> <p>April 2022 (Final report)</p>	<p><b>Some Improvement Needed</b></p>	<p>Chief Accountant &amp; Creditors Manager</p>	<p>1.Job descriptions should be reviewed and updated to reflect the current post holder’s role and responsibilities within the Creditors team.</p> <p>2.To ensure the validity of New Suppliers, the Systems Accountant / Creditors and Income Manager should collaborate with ICT to incorporate a sentence into the Granicus Forms (Approval for a new supplier in Integra) encouraging managers to undertake some basic due</p>		<p><b>Open Audit.</b></p> <p>1.Agreed for implementation by September 2022 to coincide with restructuring of the team.</p> <p>2.Agreed for implementation by September 2022.</p>

			<p>diligence checks prior to authorising the setup of a New Supplier in the main financial system.</p> <p>3.The Chief Accountant should send a reminder to his team to ensure that all authorised signatory emails are kept and filed appropriately with each BACS payment run.</p> <p>4. A report identifying potential Duplicate Payments prior to each payment run should be retained as evidence of review. A quarterly spot check should be conducted by the Systems Accountant / Creditors and Income Manager to ensure this is being carried out. If this is evidenced, it will ensure it is available for review by the Chief Accountant. (This recommendation was also raised previously as part of the 2020/21 audit)</p> <p>5.The Systems Accountant / Creditors and Income Manager should ensure that duplicate payments are recovered in a timely manner and the duplicate payment spreadsheet</p>		<p>3.Actioned and implemented March 2022.</p> <p>4.Implemented</p> <p>5.Implemented</p> <p>6.Not implemented</p>
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			<p>is current and updated promptly.</p> <p>6.The Chief Accountant should review the relaxation of operational controls in relation to pre-signed cheques and consider whether the issuing of pre-signed cheques should continue to form part of a future payment method made to Suppliers (based on current business need). Any proposed decision should be raised with the Chief Finance Officer for approval.</p> <p>7.The authorisation process of credit card transactions should be reviewed and strengthened whilst aligning with the need for operational flexibility. Line managers should either authorise and / or spot check credit card transactions for reasonableness incurred by their staff. This area should be reviewed in tandem with any existing checks undertaken by the Finance Team. (This recommendation was also raised previously as part of the 2020/21 audit)</p>	<p>10.The Chief Accountant should authorise the monthly and annual Purchase Ledger reconciliations produced by the Systems Accountant / Creditors and Income Manager in a timely manner to ensure that the reconciliations generated are adequately supported, valid and accurate.</p>	<p>7/8/9. Agreed and implemented with a new authorisation process for credit card use from April 2022.</p> <p>10.Agreed and implemented March 2022.</p>
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			<p>8.The Integra system should be updated in a timely manner to reflect the credit card expenditure that has taken place and all supporting documentation should be appropriately attached. This ensures key financial reconciliation exercises to the general ledger are more effective.</p> <p>9.Supporting documentation and a completed Granicus form for all expenditure incurred should be submitted by the credit card holders in a timely manner. The Finance team can advise of cut-off timeframes.</p>		
<p>5. Covid related workstream - Business Support Grants (Phase 2 of grants administration)</p> <p>January 2022 - Final Report</p>	<p><b>Some Improvement Needed</b></p>	<p>Deputy Group Head Customer Relations</p>		<p>1.Going forward for future grants, an exception report should be produced to ensure all potential duplicates are identified and validated in advance of the actual grant payments being generated. Adequate authorisation controls should also be consistently in place particularly as this was reported as a contributing factor for the</p>	<p><b>Closed</b> – no further action proposed.</p> <p>1.The Service Manager considers the controls now in place to be sufficient to minimise any loss of public funds. All apart from one Duplicate payment was either returned to the Council or offset from future grant payments. A single spreadsheet contains all the grant payments, and no</p>

				<p>numerous duplicate payments being generated in the first instance.</p> <p>2.Regular reconciliation processes will provide an opportunity to review whether the spreadsheet showing duplicate payments refunded by businesses aligns with what has been received and posted on the Council’s financial system (Integra).</p> <p>3.A template supplied by BEIS provided the mechanism whereby Local Authorities can refer their uncollectable debt either through error, non-compliance or fraud.</p> <p>4.At the time of the audit, plans by Customer Services to produce a post-event assurance plan and complete a financial reconciliation once all grant payments have been issued were acknowledged.</p>	<p>further payments are allowed to be processed where the FS unique number has been used previously – unless expressly granted by the Deputy Group Head of Customer Relations only.</p> <p>2.Not agreed. Because of offsetting and the fact that returned money could be actioned in more than one way this reconciliation will be very difficult. A spreadsheet is retained of the actions regarding all duplicated payments.</p> <p>3.Fraud cases and other future anomalies discovered would always be reported to BEIS / Communities where recovery has not proved successful or successful but where underlying fraud is suspected.</p> <p>4.This is an acknowledgement by Internal Audit and not a recommendation.</p>
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<p>6.Revenue Streams</p> <p>Final report – July 2022</p>	<p><b>Some Improvement Needed</b></p>			<p>1.The formation of a finance workshop with fees and charges being a key focus area for discussion to actively encourage budget holders to take greater ownership and accountability for their areas. A workshop forum may provide further opportunities for promoting innovative ideas, outline options for new income generating areas and review strategies for existing fee income sources to promote sustainability and protect ongoing viability of service provision.</p> <p>2. Budget managers to be encouraged to undertake training to raise awareness and understanding of business and financial acumen skills and strengthen competencies in this area, including financial management and financial performance.</p>	<p><b>Open Audit.</b> As part of discussions with MAT to discuss the 2023/24 budget process, the audit recommendations can be further discussed.</p> <p>Target date for fees and charges committee is September 2022.</p> <p>1 &amp; 2. In terms of approach, the Chief Accountant considers that MAT must have an input and push this down to Group Heads rather than Finance driving it up through the organisation.</p> <p>Continuous Improvement Team to have input in terms of how we use operational strategies to influence price, customer base and frequency of spend to increase/maintain/maximise revenue streams.</p> <p>Continuous Improvement Team are working more closely with Finance to review opportunities for</p>
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				The Chief Accountant should explore suitable training approaches to deliver this need (whether in-house or supplemented with external training).	efficiencies across Service areas.
7. Committee System  Final report – March 2022  Summary report to Policy and Resources Committee - April 2022	<b>Major Improvement Needed</b>	Collective ownership between Members, the Council's Management Team and the Monitoring Officer.	<p>1. It is acknowledged that a Council wide LGA peer review is planned for Autumn 2022 and consideration of the Committee system of governance should form an important part of that wider review. The Peer Review could provide an ideal opportunity to remind Councillors how the Committee System should be working in practice and to evaluate how to move forward and succeed in the new arrangement for the benefit of the residents, officers, and fellow colleagues. This could be supported with joint refresher training for both Members and Officers.</p> <p>2. The Monitoring Officer in collaboration with Officers across the Council, should implement Performance Monitoring in the form of establishing key performance indicators against each of the</p>	<p>9. The Committee Managers should record and minute the start and finish time of their respective Committee meetings / Task Groups and Working Groups, to accurately reflect the length of time taken at Committee meetings. The Committee Managers should include timed Agendas to support the Chair and progress the agenda in a timely manner. This will help quantify both Member and Officer time and associated resource cost of meetings.</p> <p>10. The Committee System Working Group should review the number of Committee meetings taking place and emphasise the importance of Member training requirements and physical attendance at meetings.</p>	<p><b>Open Audit.</b></p> <p>All the recommendations as presented are accepted (by both the Council's Management Team and former Monitoring Officer). They have been shared with the Interim Monitoring Officer. Target date advised for implementation by Autumn 2022.</p> <p>These recommendations are to be addressed further by the new Group Head Corporate Governance, when she starts post in September 2022.</p>

			<p>five specific objectives set out in the governance arrangements of the Committee System. This will provide continuity and a mechanism for effective measurement and monitoring of the Council set objectives and highlight potential improvements to the process.</p> <p>3.The Standards Committee in collaboration with the Monitoring Officer and the Political Group Leaders, should actively promote and robustly support the culture, vision and values of the Council and challenge the conduct and poor behaviour of Councillors wherever it occurs.</p> <p>4.The Political Group Leaders in collaboration with the Monitoring Officer and the Management Team (MAT), should remind Councillors that their decisions and actions are a reflection on the Council. Specifically, they are accountable to the residents and communities of the whole Borough, and they have a collective responsibility to</p>		
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			<p>deliver requirements set by Central Government.</p> <p>5.The role of the Committee System Working Group will remain pivotal in regularly monitoring the achievement of objectives as defined at the pre-implementation stage, as well as providing a Member forum to discuss and progress further improvements. In particular, focus needs to be given to how to effectively embed and demonstrate a more robust scrutiny role within the new Committee System / structure. This working group should also review the extent to which the risk mitigation measures highlighted by the Consultants at the outset are being applied.</p> <p>6. Internal Audit acknowledge that if the Committee System is not sustainable, then there would be an opportunity to invoke a petition to be presented, which if signed by 5% of the electorate, will trigger a referendum. If a referendum does in fact take place and there is a positive public vote to change then this will need to</p>		
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			<p>take place. This in turn would allow the Committee System form of governance to proceed towards a hybrid approach: the most common hybrid is between a Leader / Cabinet and the Committee System, which is legally a modified version of the Leader / Cabinet model. In such circumstances, the Monitoring Officer should consider advising on the benefits of a hybrid approach.</p> <p>7. The skillset of Members to Chair and actively participate in development decisions, planning decisions and financial matters cannot be underestimated. Councillors should be reminded of the significant adverse implications of poor, ineffective and delayed decision making and training on financial and planning matters should be well attended and understood.</p> <p>8(i)The Monitoring Officer in collaboration with the Management Team (MAT) should engage with the Political Group Leaders and the Leader of the Council to articulate and capture the expectations of</p>		
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			<p>Councillors ensuring that the expectations are proportionate with respect to the impact on the delivery of statutory duties of the Council, resource implications including retention of key staff and whether Officers have sufficient time available to discharge their responsibilities effectively.</p> <p>8(ii)The Monitoring Officer in collaboration with the Management Team (MAT) should address the risks and the implications around Officer feedback regarding Councillors excessive involvement in the operational side of the Council, in particular the concerns raised regarding adverse impact on physical and mental health of the Officers.</p>		
<p>8.Council Tax</p> <p>Draft Report issued June 2022.</p> <p>Recommendations under discussion with Service area.</p>	<p><b>Some Improvement Needed</b></p>	<p>Deputy Group Head Customer Relations &amp; Customer Services and Revenues Manager</p>		<p>A matter has been highlighted regarding operational resilience due to the long-standing vacancy of the technical System Administrator post, whilst acknowledging that in the interim the Deputy Group Head CR has undertaken fundamental</p>	<p><b>Open Audit.</b></p>

				<p>system admin duties and billing processes.</p> <p>1.Outstanding credits balances should be reviewed, and reasonable steps taken to refund Council Tax payers where appropriate or credits removed from the Council Tax account and the necessary adjustment made in the Council's main account. (Recommended also at prior audit)</p> <p>2.Write offs should be undertaken promptly and in accordance with the Corporate Debt Policy. The Corporate Debt Group should seek management assurance that Write Off activity for Council Tax debts, as well as all other significant debt categories are taking place on a regular basis.</p> <p>3. Where there is no quantification of Council Tax fraud prevented or detected, it is not possible</p>	<p>1. Agreed and target date for implementation is 31 March 2023. Customer Services are aware, and it will take quite some time to clear these credits due to the volume.</p> <p>2. Agreed and target date for implementation is 31 October 2022. Write Offs are prepared but cannot be fully processed due to a technical issue with the write off code within the Academy system.</p> <p>3. Further discussions to take place and awaiting management response.</p>
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				<p>to measure authority savings achieved for this high-risk public fraud category. Savings are derived from ending or preventing the occurrence of fraud losses. It is therefore recommended that evidence should be collated and maintained by Customer Services to demonstrate proactive counter fraud measures undertaken for Council Tax, enabling quantified inclusion in Spelthorne’s quarterly fraud returns. Counter fraud measures positively contribute to reducing the risk of occurrence of fraudulent activity relating to Council Tax, including new and ongoing claims for discounts/disregards/reliefs/exemptions etc.</p> <p>4. The Customer Services and Revenues Manager should undertake an SPD exercise and ensure that any SPD fraud cases recorded and captured</p>	<p>4.Planned for implementation as it is understood that the Deputy Group Head of Customer Relations is carrying out an</p>
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				<p>should feed into the Corporate Fraud quarterly returns.</p> <p>5.The annual review process to confirm ongoing entitlement to discounts is overdue and needs to be reinstated. SPD claimants / other discount types should be issued with an annual letter or complete an online declaration form asking them to confirm that their circumstances have remained the same. The Academy system should be marked accordingly. If the claimant's circumstances have changed and they are no longer entitled to a discount or reduction, this demonstrates fraud (losses) or error stopped.</p>	<p>SPD Review this year with other local authorities</p> <p>5. Further discussions to take place and awaiting management response.</p>
<p>9.Emergency Planning</p> <p>Final report July 2022</p>	<b>Effective</b>	<p>Group Head Commissioning and Transformation</p>	<p>No recommendations arising.</p>	<p>No recommendations arising.</p>	<b>Closed Audit</b>



<p>10.Economic development and recovery (Strategic element only)</p> <p>The audit work is being finalised, and draft report under preparation.</p>	<p><b>TBC</b></p>	<p>Group Head Regeneration and Growth</p>	<p>-</p>	<p>-</p>	<p><b>Open Audit.</b></p> <p>There are no major issues arising from the work undertaken.</p>
<p>11. ICT Audit (Cyber Security)</p> <p>The audit work is being finalised, and draft report under preparation.</p>	<p><b>Some Improvement Needed</b></p>	<p>Group Head Commissioning and Transformation</p>	<p>-</p>	<p>1.It is recognised there is scope for further targeted cyber security training to strengthen awareness and understanding.</p> <p>2.There are a few good practice recommendations regarding policies and procedures.</p>	<p><b>Open Audit.</b></p>
<p>12.ICT Audit (Health check and general IT Controls)</p> <p>Final report - September 2021</p>	<p><b>Some Improvement Needed</b></p>	<p>Group Head Commissioning and Transformation</p>		<p>1.ICT to develop and maintain updated IT Strategy and Service Plan documents for 2021/22.</p> <p>2.ICT management to document key ICT risks and mitigating controls as part of a risk register. Managers are encouraged to undertake this as part of the service planning process.</p>	<p><b>Open Audit.</b></p> <p>1.Agreed for implementation – not yet started (due to workloads)</p> <p>2. Underway – potential completion Sept 2022</p>

				<p>3. ICT management to review and update the Patch Management Policy to reflect any recent changes to processes and procedures.</p> <p>4. ICT management to introduce a documented regular review of firewall rulesets and ensure this is performed on an at least annual basis.</p> <p>5. ICT management to review and update the Network Password Policy document to reflect current password requirements and controls.</p> <p>6. ICT management to review options for renaming/ disabling the Active Directory 'Administrator' account.</p> <p>7. ICT management should ensure the 'Information Back Ups Policy' and 'Appendix' documents are updated to reflect current backup requirements and</p>	<p>3. Implemented</p> <p>4. Implemented</p> <p>5. Implemented</p> <p>6. Implemented</p> <p>7. Significantly progressed</p>
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				<p>controls. These should include documentation of processes and requirements around the backup of key services, roles and responsibilities and required backup schedules.</p> <p>8. Disaster recovery arrangements should be tested following completion of the updated DR plan, and this should be completed on an annual basis. Test results should be documented as part of a formal test report which details test objectives, outcomes, and lessons learned. This can then be used in updating and improving the DR plan and supporting documents.</p>	8. Implemented
<p>13. ICT Audit (Network Infrastructure)</p> <p>Final report – November 2021</p>	<b>Some Improvement Needed</b>	Group Head Commissioning and Transformation		<p>1. ICT management to review and update Information Security framework policies and procedures.</p> <p>2. ICT management to document infrastructure device and firmware patching requirements and</p>	<p><b>Open Audit.</b></p> <p>1. Implemented and ongoing</p> <p>2. Implemented</p>

				<p>controls as part of the Patching Policy.</p> <p>3. ICT management to update the Change Control Policy to include the criteria to be used when assigning Impact and Risk ratings.</p> <p>4. ICT management to implement dedicated administrator accounts in addition to standard user accounts for IT administrators.</p> <p>5. ICT management to introduce a documented annual IT training needs assessment process.</p> <p>6. ICT management to ensure all required data is migrated from Sharepoint 2010 prior to its decommissioning.</p>	<p>3. Agreed for implementation – not yet started (due to workloads)</p> <p>4. Implemented</p> <p>5. Implemented</p> <p>6. Implemented</p>
<p>14. Payroll</p> <p>Final report - March 2022</p>	<p>Some Improvement Needed</p>			<p>1. Previously recommended in 2018: Identifying the departments needs from its IT systems so that in due course a system can be obtained with sufficient functionality that there is</p>	<p>Many recommendations are not deemed to be achievable by the service area (HR) due to resource constraints, technical role unfilled vacancy, and the need to focus on prioritised</p>

				<p>no longer a requirement to maintain a spreadsheet record of employee and job details.</p> <p>The report writer found in the business objects module within the Midlands I-Trent system should be used to accurately reconcile the Establishment List.</p> <p>2. Previously recommended in 2018: One of the key controls to ensure that this data is correct, is the six-monthly check. Every six months, the HR department sends out to all senior managers the details of their staff as shown on the Establishment List. Managers are required to confirm that these details are accurate or, if not, what corrections are required.</p> <p>The HR Managers should design an escalation procedure so that senior management is informed of non-replies and can arrange for such replies to be given. This procedure should be</p>	<p>work areas. There are no further updates to advise.</p>
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				<p>presented to the Group Head for approval.</p> <p>3.The HR Managers, in liaison with the Group Head of Commissioning and Transformation, should produce an action plan or a list and prioritise the significance of policies and procedures to be updated.</p> <p>4.A responsible officer within the HR team should be assigned to undertake the task of reviewing and updating the most significant HR Policies, followed by relevant communication to all staff to raise awareness and highlight any key changes. Any revisions to the recruitment policy should take account of audit comments and observations raised.</p> <p>5.The production of an overarching HR Strategy should be pursued. This would provide further insight on how the service is</p>	
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				looking to deliver its objectives and goals (over a specified timeframe) and how these measures in turn support the Council's Corporate priorities.	
15.Finalisation of 2020/2021 Audits - previous year's programme	<b>Various</b>	Various	-	-	The status of audit recommendations relating to the 2020/21 Audit workplan have been previously reported to the Audit Committee.

Follow Up Audit Recommendations	Managers are requested to advise on the status of audit recommendations raised 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)	Managers represent the first line of defence in the Council’s overall assurance framework, whilst Internal Audit represent the third line of defence. Assurance templates have been populated highlighting key risks within the function and Managers asked to confirm that controls are operating as described. Managers are encouraged to advise on any additional emerging or evolving risks as part of the audit process, and in our experience the level of insight across Services has been varied. Internal Audit already proactively highlighting relevant risks, and Managers may deem these sufficient. Whilst Internal Audit have facilitated this process through identification of risks thereby supporting risk-based auditing methodology, and continue to encourage Management input, ownership of controls and responsibility for effective risk management remains with Management.

<b>All Other workstreams and tasks including corporate roles</b>	
<u><b>Statutory requirements &amp; Reporting</b></u>  Audit Committee	<ul style="list-style-type: none"> <li>❖ Reporting to Audit Committee three times a year (approx. 12 – 15 reports per year) includes Internal Audit activity, risk management reporting, development of risk appetite framework and requirements for Public Sector Internal Audit Standards (PSIAS)</li> <li>❖ Annual Audit Plan preparation for 2021/22 in liaison with Group Heads and Managers, with inclusion of key risks and audit objectives for planned assignments</li> <li>❖ Meetings with the Audit Committee Chair, Vice -Chair, Chief Finance Officer and Group Head Corporate Governance</li> <li>❖ Following up and responding to actions/ questions raised by Audit Committee members</li> <li>❖ Appointment of Independent Member of Audit Committee and welcome meeting</li> <li>❖ Input to Audit Committee Member Training provided by external trainer in July 2021</li> <li>❖ Annual Audit Opinion &amp; input to Annual Governance Statement for 2020/21</li> <li>❖ Quarterly liaison meetings with the s.151 Officer on audit matters as part of ‘dotted reporting line’</li> <li>❖ Audit Plan monitoring</li> <li>❖ Audit Planning including timings, allocations, scoping and prioritisation review</li> <li>❖ Preparation of terms of reference and work programmes</li> </ul>



	<ul style="list-style-type: none"> <li>❖ Supervision, management direction and guidance including quality assurance review process</li> <li>❖ Exit Meetings with managers and finalising audit reports</li> <li>❖ Responding to Senior Management requests to defer planned audit assignments</li> <li>❖ Escalation where necessary to enable finalisation of work</li> </ul>
<p><b><u>Corporate Risk management</u></b></p>	<ul style="list-style-type: none"> <li>• Coordination of the Council’s Corporate Risk Register and regular reporting to Audit Committee took place. The register focuses on significant strategic risks impacting effective delivery of corporate priorities. It also aligns to methodology set out in the fully refreshed Corporate Risk Management Policy.</li> <li>• As part of ongoing development work, a summarised policy guide has been prepared to assist colleagues in managing risk. The Group Head of Corporate Governance and Internal Audit Manager delivered training to officers in September to raise awareness of corporate approaches and relevant training material was prepared.</li> <li>• Developing a Risk Appetite Framework (RAF) for Spelthorne is a work in progress and represents an important step in the Council’s risk maturity. Essentially it will guide how much risk the Council is willing to seek and accept to assist and enable consistent, transparent, and informed risk-based decisions in delivering corporate priorities and objectives. Explored the concept of a RAF with Elizabeth Humphrey and worked collaboratively to regularly communicate and report on the rationale and benefits of introducing a RAF to the Audit Committee, corporate management team, Group Heads, and senior managers. A risk appetite pack has been prepared and shared to demonstrate how a RAF could be applied to corporate processes including decision making. Further detail is provided in the separate risk appetite report going to the July 2022 Audit Committee.</li> </ul>
<p><b><u>Corporate Counter Fraud</u></b></p>	<ul style="list-style-type: none"> <li>❖ Refreshing the Counter Fraud, Bribery and Corruption Strategy</li> <li>❖ Rolling out Counter Fraud, Bribery and Corruption online training for officers and seeking management team endorsement to make this mandatory</li> <li>❖ Input to training material aimed at teams administering high risk public fraud activities. Reigate Counter fraud team delivered these sessions which were well received.</li> <li>❖ Collaborative working continues with Reigate and Banstead counter fraud team to target high risk public fraud areas and produce positive outcomes.</li> <li>❖ Quarterly fraud returns are collated. Payback/returns are continuing to be achieved from the counter fraud work and the annual fraud returns for 2021/22 (covering high risk public fraud) are referred to on the cover report.</li> <li>❖ An analysis of the levels of fraud returns achieved across six high-risk public fraud categories and over recent years has been undertaken and previously reported in November 2021.</li> <li>❖ Several meetings have taken place with Housing colleagues, Reigate Counter fraud team and registered providers to encourage greater focus on social housing fraud and to specifically target this area through exploration of a data matching initiative. The significant benefits that could be derived have been reported previously to the Audit Committee by the Internal Audit Manager. This remains a work in progress, with recent developments.</li> </ul>

	<ul style="list-style-type: none"> <li>❖ Internal Audit, Finance, Communications, and other teams circulate details of frauds and scams identified nationally or locally to make staff aware of risks and assess their impact as necessary.</li> <li>❖ All audit reviews consider fraud risks. However, it remains the responsibility of management to ensure they have adequate systems of control in place to minimise risks of fraudulent activity and robust detection mechanisms in operation.</li> </ul>
<p><b><u>Audit Contractor Resource Management</u></b></p>	<p>TIIA has provided access to both generalist and specialist skills such as ICT auditing. Where Auditors have conducted similar reviews at other local authorities or other organisations any best practice is being shared.</p>
<p><b><u>Audit Support</u></b></p> <p>Audit advice to management &amp; Liaison (responsive and pro-active work)</p>	<ul style="list-style-type: none"> <li>❖ Review of Spelthorne Leisure Centre Accounts for April to July 2021 including identification, collation and review of key source data and supporting documentation (Unplanned assurance work to support the authority).</li> <li>❖ COVID-19 Pandemic - Monitoring the Council's ongoing response and recovery from the pandemic, identification and assessment of emerging and evolving risks and periodical reporting to Audit Committee. Highlighting risk mitigation actions underway as well as those areas that are impacted heavily by externalities.</li> <li>❖ Attendance at working groups to offer advice where appropriate on risk and control implications, (Corporate Risk Management Group, Corporate Debt Group, ICT SIG).</li> <li>❖ Confidential advice to some service areas</li> <li>❖ Various MAT and Committee reports – governance, risk, and control issues</li> <li>❖ Planned Advisory areas including Housing/Building Control/Environmental Health/Neighbourhood Services</li> <li>❖ Service requests</li> <li>❖ Knowle Green Estates (KGE) – initial steer and advice to the officer lead in preparation of a risk assessment</li> <li>❖ New and emerging processes in response to supporting communities from the impacts of the pandemic</li> <li>❖ Assurance Statement for Annual Governance Statement</li> <li>❖ Test and Trace payments- review of supporting documentation to support grant sign off</li> <li>❖ Compliance and Enforcement surge funding – review of supporting documentation to support grant sign off</li> <li>❖ Input to authority's feedback to BEIS regarding Business Support Grants</li> <li>❖ Procurement and supplier risks</li> <li>❖ Gifts and Hospitality</li> <li>❖ Housing - Electronic signatures</li> <li>❖ Finance and Customer Services - Duplicate Payments</li> <li>❖ Finance and Parking Services – arrangements for secure collection and banking of monies</li> <li>❖ Finance and Independent Living –banking of monies</li> <li>❖ Customer Services – counter fraud approach</li> </ul>

	<ul style="list-style-type: none"> <li>❖ Exploring a forensic software system that uses data analytics to detect and prevent the occurrence of financial errors in an accounts payable (Creditors) function, including discussions with external representatives and internal stakeholders</li> </ul> <p>There are various other examples of audit support – the above is not a complete list.</p>
<p><b><u>Miscellaneous &amp; Corporate tasks</u></b></p>	<p>Various as summarised below:</p> <ul style="list-style-type: none"> <li>❖ Refreshing and updating audit templates and documentation</li> <li>❖ Attendance at Corporate training sessions</li> <li>❖ Continuous Professional Development and keeping abreast of audit technical developments/emerging best practice</li> <li>❖ Performance Management / 1-1's</li> <li>❖ Team management (staff support/ admin/GDPR Compliance Plans/ Health and Safety/ Budget/Legal Liaison on contractual agreements)</li> <li>❖ Keeping abreast of corporate initiatives</li> <li>❖ Responding to FOI requests</li> <li>❖ Team meetings</li> <li>❖ Corporate staff meetings</li> <li>❖ V-BEC Managers Briefings</li> </ul>

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# Audit Committee

28 July 2022



<b>Title</b>	Refreshed Internal Audit Plan 2022/23
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Internal Audit Manager, Punita Talwar
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	Community Affordable housing Recovery Environment Service delivery
<b>Recommendations</b>	<p><b>Committee is asked to:</b></p> <p><b>1. Note and approve the revised Internal Audit Plan for 2022/23 at Appendix A. This is based on current level of audit resource continuing to operate throughout 2022/23.</b></p> <p><b>2. Note that the incoming permanent Group Head of Corporate Governance will be advising this Committee further on any future additional resourcing (subject to approval). In the interim, the Internal Audit Manager has set out alternative options to explore in addressing service priorities and business needs, including risk implications and considerations associated with each option.</b></p>
<b>Reason for Recommendation</b>	<b>Under Public Sector Internal Audit Standards (PSIAS) the Audit Committee are required to approve the annual audit plan.</b>

## 1. Summary of the report

- 1.1 This report seeks to inform the Audit Committee of the refreshed risk-based Internal Audit Plan for 2022/23 to fulfil statutory and professional requirements. This is set out in Appendix A.
- 1.2 Appendix A sets out anticipated service delivery based on maintaining the current level of internal audit resource operating at 1.75 FTE plus approx. 30 audit contractor days. It provides reference to the various workstreams

undertaken by the team, which go considerably beyond core audit assignment work and include:

- Counter Fraud
- Corporate Risk management
- Promoting and facilitating implementation of a Risk Appetite Framework
- Ongoing statutory reporting to Audit Committee
- Internal audit planning process and consultations to ascertain emerging/evolving risks
- Production of an Annual audit opinion, feeding into the Annual Governance Statement
- Following up audit recommendations
- Audit advisory work, including input to working groups
- Developing continuous improvement practices
- PSIAS adherence, reviews and considerations

Total plan days are 409, reflecting current resource available. The audit planning process and approach undertaken to ascertain 'audit need' (effectively business need) in producing the prioritised workplan has been previously explained in our report of March 2022.

- 1.3 Further to discussions at Audit Committee in March 2022 regarding the Internal Audit Plan for 2022/23, it has been a timely opportunity to reflect again on service and business needs, as well as existing capacity levels, to ascertain priorities that cannot be delivered within current resources. This is elaborated on in the report. All audit work areas identified as 'Priority A' encapsulated in the refreshed plan at Appendix A are deliverable under existing resources. There are eighteen 'Priority A' areas and two 'Priority B' areas that are deliverable.
- 1.4 As previously reported, the wider implications arising from externalities such as the geopolitical and macroeconomic environment will continue to be a key consideration in the Council's risk exposure, impacting across Council Services and local communities. It remains important therefore as part of our work to ascertain how the Council is adapting to these external pressures and managing associated risks.

## **2. Key issues**

- 2.1 At the March meeting of the Audit Committee, it was highlighted that the audit apprentice growth bid originally submitted as part of the 2022/23 budget process, whilst initially supported and approved had not succeeded through the final stage. The original audit plan for 2022/23 had already been prepared by the Internal Audit Manager (and published for the Committee agenda) on the impression that the apprenticeship audit growth bid had indeed been approved, with planned allocations for this resource from July 2022 (Quarter 2 onwards). Consequently, the risk-based Internal Audit Plan for 2022/23 as presented to Audit Committee on 24 March 2022 is no longer deliverable based on the current level of audit resource operating.

- 2.2 Whilst the Audit Committee noted the content of the audit plan, they did not approve the 2022/23 audit plan presented in March, requesting that the resourcing for the team be considered further, with a refreshed audit plan to be presented to the July Audit Committee.
- 2.3 We have therefore taken an opportunity to reflect again on service needs for the Internal Audit function and conclude that an audit apprenticeship officer is no longer a desirable solution. This proposal was originally put forward and led by the former Group Head of Corporate Governance who departed in March, and whilst benefits of growing organisational talent are recognised, the adverse impact on an already small and overstretched team is important to recognise. There would be additional strain on the part time Internal Audit Manager in training and supporting an Apprenticeship who is likely to hold no experience, knowledge or skillset of internal auditing. The Senior Auditor in the team would also be expected to support this process. These strains would divert time away from planned and reactive workstreams and tasks, adding increased pressure and further impacting capacity levels, reducing service delivery and independent assurance provision to the Council. Furthermore, training, supporting and guiding someone with no prior audit experience is not envisaged to be a short-term service challenge, but rather an ongoing factor for consideration over the next 2 to 3 years.
- 2.4 Training for an internal audit role requires considerable on the job experience over the course of time, gaining a thorough understanding of internal audit principles, practices and methodologies and their suitable application; how systems of internal control should be designed and operate, and how these correlate to proportionately managing risks identified across all areas of Council's activities. This is necessary in reaching a sufficient professional standard, supported with professional training, audit qualifications, and Continuous Professional Development.
- 2.5 We have ofcourse seen the Council's exposure to risk change significantly from 2017 since it acquired a 1m Property portfolio and ambitious property development programme. These areas require ever increased focus and audit insight at an appropriate (not junior) level of resource.
- 2.6 There is continued emphasis from professional audit bodies on aligning audit work to areas of greater organisational risk, thereby adding enhanced value. Internal audit is no longer regarded as a service that focuses solely on checking routine processes and procedure, but rather our risk and assurance work covers a broad spectrum beyond financial systems. This includes significant risks that impact Spelthorne's corporate priorities and objectives, whilst also ensuring proportionate focus is given to emerging and evolving risks, new projects, systems and processes, and key legislative changes. The growing prevalence of new initiatives facing the Council has also meant that the team are being increasingly called upon for ad hoc advice and support. Consequently and as a combination of all these factors, the service need for Auditors to predominantly undertake more routine transaction based work of traditional audit areas has become less relevant, with a shifted transition to focus on wider topical risk areas and strategic issues.
- 2.7 Paragraphs 2.3 to 2.6 above illustrate the rationale for not pursuing an audit apprenticeship officer, as it is not currently considered a feasible option going forward.

- 2.8 As highlighted earlier in the summary at section one, Appendix A to this report sets out planned workstreams/anticipated service delivery based on maintaining the current level of audit resource operating at 1.75 FTE plus approx. 30 audit contractor days. To summarise, eighteen areas on the audit plan assigned a priority A plus two areas assigned a priority B can be delivered within existing resources, totalling twenty areas. Four further audit assignments on the audit plan assigned a priority B cannot be delivered within existing resource levels. One further area on the plan assigned a priority B (some aspects of Continuous Improvement work at category 24) cannot be delivered within existing resource levels. Regarding planned advisory and support work at category 21, this was originally assigned a non-specific priority range of A to B, and some elements of category 21 cannot be delivered with current resources. In total, six areas cannot be delivered from current resources (approx. 70 days). Further details regarding the changes made to the audit plan are provided in the following sections.
- 2.9 One audit area (Blue Box software – Housing rental income side – Priority A ) has been directly replaced with a new audit of Procurement – also ranked as Priority A, as in light of recent audit recommendations raised regarding Blue Box (commercial rental income) and extending use of Integra to raise rental income, it is envisaged that recommendations would be duplicated, so it is not considered to be an efficient use of audit time in reviewing this area at this point. The plan makes reference to where audit assignments have been removed (background highlighted in red) on the basis that they are not deliverable within current resources, as well as areas where reduced time budgets are assigned, resulting in lesser audit coverage and scope. Four audit assignments on the original plan presented to the Audit Committee in March have been fully removed (note categories 4,10,13,17 at Appendix 1). One of these audits – Blue Box, has been directly replaced with Procurement. In addition, a review of the Business Improvement District (BID) under the broader Business Rates assignment has been removed. Data analytics work under continuous improvement audit initiatives has been excluded. Planned advisory work areas have been significantly reduced excluding some major projects for the authority. Whilst most of these work areas were assigned a priority B on the original plan presented to Audit Committee in March, they are nonetheless indicative of business need (as ascertained from the audit needs assessment) in the provision of assurance and audit insight, and they are highlighted below in order of priority:
- Priority 1 – Advisory, support and monitoring work on major projects and initiatives (Leisure Centre/Centros/Government and Waste Strategy) – 23 days
  - Priority 2 – Continuous Improvement Work/keeping abreast with modern audit practices – exploring and applying data analytics to provide extended and real time assurance – 20 days
  - Priority 3 – Treasury Management - Audit assignment (Light Touch) – 5 days
  - Priority 4 – Communications – Audit assignment 5 days
  - Priority 5 – Business Improvement District –Audit assignment (Light Touch) - 3 days
  - Priority 6 – Succession Planning –Audit assignment - 6 days
- Audit management direction/insight/input approx. 7 days.
- Total Days estimated 70 days.



- 2.10 It is anticipated that further discussions on this may be useful to take place with Members of the Audit Committee, to ascertain proposed next steps. It should also be acknowledged that the priorities for the service will continue to evolve every year in line with the audit needs assessment and other service priorities.
- 2.11 Further to discussions with Management Team, the steer is to explore the optimum approach to utilising resource in considering the need for increased audit resource. The following approaches are being reviewed, with some early insight from the Audit Manager conveyed, including associated risk implications, opportunities, and considerations for each option proposed. Further to discussions with management team, we await further input and direction from the new permanent Group Head of Corporate Governance, taking up post from mid-September. On this basis, the Internal Audit Manager has not put forward any preferred options at this stage under section 3 of this report.

(i) **Recruiting additional experienced internal audit resource**, subject to approval of a growth bid, which may be presented as part of the annual 2023/24 budget process. This option whether permanent or a fixed term would ensure more sustained support for the team and the authority, as well as building in improved resilience. This will consequently increase the level of independent assurance provision and support to the Council, including areas presenting greater risk and challenge. There are however wider financial and budgetary implications from additional staff establishment costs at a time when the Council is under significant financial pressure, with a moratorium on all establishment growth for 2023/24, unless the growth item is externally funded or meets a statutory requirement. Added to this, the recruitment challenges we are facing in a competitive marketplace, and successfully attracting and appointing an experienced audit resource, are all limiting factors to consider in reviewing this option.

(ii) **Externally commissioned contractor audit resource** – increasing the level of contractor audit days procured (current budget allowance can source approx. 30 days). This will enable additional prioritised audit assignments to be undertaken, thereby increasing the level of independent assurance provision to the Council. This offers a more focussed approach to utilising resource as they are contracted specifically for direct audit days to undertake audit assignments. They may also have subject matter expertise across certain areas to enhance value added. It will not however offer a permanent or more stable presence in the audit team, neither will it provide support across any of the several other workstreams delivered by the Internal Audit Service. The level of background knowledge held by a Contractor regarding Spelthorne's systems/local issues is naturally lower, although on the contrary a competent Contractor/Service Provider can provide new insight and add value based on their wider exposure to working across several organisations. The Internal Audit Manager has developed good professional working relationships with TIAA through regular communications on assignments, and their work has been of a good quality. They are receptive to working within the overall direction/scope/objectives/insight set out by the Audit Manager. The anticipated financial cost (estimate only) of using audit contractor resource to deliver all of the priority B workstreams relating to 2022/23 as set out under

para 2.8 is in the region of £28,700 to £33,600, based on procuring 70 days. Day rates for experienced Contract Auditors range from approx. £400 to £480 per day, with differentiation between generalist and specialist audit contractors.

(iii)**Consider shared arrangements with other local authorities.** Approx. one third of local authorities in Surrey, have an in-house audit presence (4 out of 12). Of the three other local authorities that do (Elmbridge, Surrey Heath and Waverley), at least two of these use contracted/agency audit resource to supplement their in-house resources. In the past, Spelthorne had a temporary arrangement with Surrey County Council in procuring audit agency resource, but that came to an end in 2017 when they were no longer able to accommodate the additional work. The feasibility of shared arrangements with a view to building more resilience can be explored, and it should be noted that the previous audit partnership arrangement with Elmbridge came to an end when the former Head of Audit took early retirement in 2015, as reduced management resource led to this no longer being a feasible option for either party at the time. Internal audit provision/arrangements for authorities across Surrey are summarised in the table below:

Local Authority	Internal Audit Provision /Arrangements	Consortium referenced
Spelthorne	In-house supported with small level of co-sourcing by externally commissioning resource	
Elmbridge	In-house supported with agency resource	
Waverley	In-house management plus externally commissioned audit contractor resource from Southern Internal Audit Partnership	
Surrey Heath	In-house .	
Runnymede	Outsourced arrangement – TIIA	
Reigate	Outsourced arrangement - Southern Internal Audit Partnership	Consortium
Tandridge	Outsourced arrangement	Consortium
Mole Valley	Outsourced arrangement	Consortium
Epsom and Ewell	Outsourced arrangement	Consortium
Woking	Outsourced arrangement	
Guildford	Outsourced arrangement	
Surrey CC	Orbis local authority audit partnership between East Sussex, Surrey County Council and Brighton and Hove Council	

### **3. Options analysis and proposal**

- 3.1 Consider the prioritised areas of work for 2022/23 that are not deliverable under current resource levels and agree next steps, with proposed options below:
- 3.2 Option 1 - Do nothing and retain the existing level of audit resource throughout 2022/23. The implications include maintaining the current level of assurance provision to the Council, and not fully addressing prioritised audit/business needs identified as part of the audit planning process for 22/23 (including all priority B workstreams). It also does not address overstretched capacity levels within the team. Or ,
- 3.3 Option 2 – Review and explore alternative approaches to utilising resource in considering the need for increased audit resource, within 2022/23 and beyond. Consider any additional input and direction from the permanent Group head of Corporate Governance once she commences post, with a view to addressing both business and service needs.

### **4. Financial implications**

- 4.1 It is acknowledged that due to the significant financial pressures facing the Council, there is a moratorium on staff establishment growth for the 2023/24 budget process. Given the current financial environment, several approaches in deploying any increased resource are being considered in addition to permanent resource, including appointing contractor resource as needed, fixed term contracts for establishment resource, and exploring shared arrangements with other authorities. The financial implications are outlined earlier under section 2.10.
- 4.2 Externally commissioned resource (current) to support delivery of the 2022/23 audit plan is approx. 30 Days and will be funded from the audit contractor budget of £12,500. Contractor resource is still necessary to provide specialist support in areas such as IT auditing, as well other areas in supporting planned service delivery. It should be noted that this contractor budget has been reduced previously with effect 2022/23 by approx. £10,000 due to the need to generate savings.
- 4.3 Day rates for audit contractors are currently in the region of £400 to £480 per day, with differentiation between generalist and specialist audit contractors.

### **5. Risk considerations**

- 5.1 The Internal Audit Annual Plan is risk-based and therefore already considers a diverse range of areas of medium to higher risk for inclusion in the plan, ensuring that finite resources are targeted efficiently.
- 5.2 As previously reported, the Internal Audit Annual Plan includes reviews of functions and systems that are financially material and therefore represent greater risk to the authority. Issues presenting adverse financial consequences or threats to the Council's financial position apply to a range of workstreams on the plan.

5.3 Risk implications associated with current levels of audit operating resource are already referred to under earlier sections. The range of approaches being explored as set out in this report aim to alleviate some of these risks, and there are wider risk implications and considerations associated with all of these options, as highlighted earlier.

## **6. Legal considerations**

6.1 Reference is made earlier regarding the need to fulfil statutory and professional requirements in preparing a risk based internal audit plan for approval by the Audit Committee (under PSIAS).

6.2 Where appropriate legal matters are considered during the course of audit and assurance work, such as compliance with regulations.

## **7. Other considerations**

7.1 There are none.

## **8. Equality and Diversity**

8.1 There are no implications to report. A cross cutting review of Equality and Diversity is not part of the proposed audit plan for 2022/23 but will be considered at some future point.

## **9. Sustainability/Climate Change Implications**

9.1 Climate Change risks and mitigation measures are periodically monitored by the Internal Audit Manager as part of reporting on the Corporate Risk Register.

## **10. Timetable for implementation**

10.1 The Internal Audit Annual Plan sets out work to be undertaken by the Internal Audit team during the 2022/23 financial year. Proposed timings for work areas to ensure optimal value to the service area and the authority, previously agreed with service leads, are set out in the plan.

## **11. Contact**

11.1 Punita Talwar, Internal Audit Manager. [P.Talwar@spelthorne.gov.uk](mailto:P.Talwar@spelthorne.gov.uk)

**Background papers:** There are none.

### **Appendices:**

Appendix A – Annual Internal Audit Plan 2022/23 (Based on current resource levels)

<u>Audit Area (Identified as part of Audit Needs Assessment),</u>	<u>Time Budget (Days)</u>	<u>Service Lead Area</u>	<u>Comments</u>	<u>Key Risk Considerations</u>	<u>Key Objectives (An evaluation of risks and controls will form part of the audit process)</u>	<u>Allocation</u>	<u>Planned Timing</u>
1. COVID-19 Pandemic Recovery workstream : <b>(PRIORITY A)</b> <b>(i) Business Support Grants - Additional Restrictions Grant</b> <i>Corporate Priority Area - 'Recovery'</i>	13	Economic Development & Customer Services	New processes have emerged as part of the authority's ongoing COVID-19 recovery effort. Independent 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. The Additional Restrictions Grant fund represents a significant amount (approx £1.9m) and the timeframes require the scheme to be administered in full by 31.3.22.	Governance arrangements are not maintained; unspent funds; grants administered do not adhere to government guidance and/or local discretionary grant policy; inadequate due diligence checks; criteria for applying discretionary funds are vague which may result in processing grants that fail to add value to business recovery or growth; Fraud and Error leading to financial losses/reputational damage;	Given that two prior audits have been carried out on Business Support Grants, this audit will focus specifically on testing of key controls operating (large sample testing of Additional Restrictions Grants - ARG only) to ensure eligibility, validity, reasonableness of decisions to award and approve grant applications, transparency of decisions and accuracy of Additional Restriction Grant payments processed.	In-House. Fieldwork completed and draft report issued.	Quarter 1
2. Whistleblowing (Confidential Reporting Code) <b>PRIORITY A</b> <i>Corporate Priority area - All. Good governance underpins effective delivery of all corporate priorities and objectives</i>	9	Corporate Governance (Monitoring Officer)	An audit review is overdue. Given that some time has elapsed since the self assessment toolkit was undertaken, this is deemed to be a timely review.	If Members and Staff are not periodically reminded of the Whistleblowing policy, this could lead to inappropriate or illegal activity not being identified, reported or addressed. It could also lead to the use of incorrect channels to report concerns leading to adverse media interest and reputational damage. If the scale and nature of Whistleblowing concerns are not captured or monitored, opportunities for focussed actions may be missed (where there are patterns in the type of confidential concerns raised).	Confirm awareness raising of policy by Monitoring Officer to promote understanding, encourage individuals to come forward and convey key messages (links to organisational culture). Consider whether core processes are operating effectively and in line with the Whistleblowing policy. Ascertain how concerns raised are followed through and addressed with reference to a sample check. Consider scope to maintain a strictly confidential register of concerns reported under the policy. As well as improving coordination, this would provide a mechanism for quantifying the level, scale and nature of concerns raised - assisting future focussed actions.	In-House	Quarter 2

<p>3. Significant externalities (macroeconomic and geopolitical environment) and their impact for the Council - <b>PRIORITY A</b> Corporate Priority Area - All priorities</p>	<p>10</p>	<p>Internal Audit</p>	<p>Articulating and analysing the risks (and opportunities) emerging and evolving to assist prioritised action.</p>	<p>The volatility of the global economy and rising rate of inflation is putting increased pressure on businesses, households, and the Council's budget. Cost-of-living crisis is a major risk factor impacting consumers, economic prosperity, and pandemic recovery. Additional challenges arising from Geopolitical landscape such as refugees/pressures on food supply chain and inflating costs of fuel.</p>	<p>To analyse and report on the impact of macroeconomic and geopolitical externalities on the Council's position/services/communities. Ascertain mitigation/control measures to manage identified risks and highlight residual risks. The most significant risks (and opportunities) arising based on the risk scoring model require prioritisation for action.</p>	<p>In-House</p>	<p>Coincides with Audit Committee work programme, reporting 3 times a year .</p>
<p>4.Succession Planning <b>PRIORITY B</b> Corporate Priority area - 'Service Delivery' <b>REMOVED FROM PLAN AS CANNOT BE UNDERTAKEN WITHIN CURRENT RESOURCE LEVELS</b></p>		<p>Commissioning &amp; Transformation</p>	<p>An audit is overdue.</p>	<p>Loss of knowledge and experience from long serving skilled employees who have departed or retired. Lack of succession planning reduces organisational and service resilience, impacting service quality and delivery.</p>	<p>Undertake a light touch review of management arrangements in place for succession planning, considering corporate and strategic direction across the authority. Establish measures for 'Key person identification'.</p>	<p>In-House</p>	<p>Removed from workplan</p>
<p>5. Recruitment and Retention <b>PRIORITY A</b> Corporate Priority area - All. Underpins effective delivery of all corporate priorities and objectives</p>	<p>10</p>	<p>Commissioning &amp; Transformation</p>	<p>Corporate Risk Register - risk category 7.</p>	<p>Rising resignations, high vacancy rates and unsuccessful recruitment lead to a reduced level of technical skills and expertise operating across Services. Staff shortages further exacerbate workload pressures,employee stress and fatigue. As the pandemic experience has widened acceptance of more flexible working approaches across most sectors, this may weaken the unique selling point (USP) long associated with Local Councils. Failing to attract and retain talent has consequences for delivering business need leading to reduced service quality.</p>	<p>To review the strategic approaches underway or planned in managing the significant risks and current issues around recruitment and retention . Consider the extent of new and innovative approaches being explored in an increasingly competitive market, to attract and retain talent. Review arrangements in place to test the effectiveness of any new measures applied. Periodical monitoring to gain insight on developments of this area over the year is considered to be more relevant than a standard audit review.</p>	<p>In-House. A Position Statement has been issued.</p>	<p>Quarter 1.</p>

<p>6. IT Audit (Application Systems) <b>(INFORMATION TECHNOLOGY)</b> <b>(PRIORITY A)</b> Corporate Priority - 'Service Delivery' and 'Supporting Communities'</p>	<p>12</p>	<p>Commissioning and Transformation</p>	<p>A high level review of the Council's Application Systems is overdue.</p>	<p>Core application systems are not adequately supported/maintained impacting service delivery. Unauthorised access to application systems, sensitive and personal data. Where access permissions do not reflect user need, this increases risks of data security breaches, fraud, data theft, and even deletion of data files.</p>	<p>A high level audit review of the Council's application systems. To ensure the Council has robust control processes operating across key application systems (to include Centros upgrade). Ascertain how systems are supported and maintained including software and security updates. Consider logical access controls in setting up new users and applying appropriate permissions. Confirm processes for prompt removal of leavers and where access requirements change. Ascertain oversight arrangements in place for System Administrator functions who hold superuser privileges.</p>	<p>Audit Contractor</p>	<p>Quarter 4</p>
<p>7. Collaborative working with the Continuous Improvement Team <b>(PRIORITY B)</b> Corporate Priority area - All. Underpins effective delivery of all corporate priorities and objectives</p>	<p>4</p>	<p>Commissioning and Transformation</p>	<p>Collaborative work area to add organisational value.</p>	<p>The Continuous Improvement process drives positive change and greater organisational efficiencies in service delivery. If internal control implications are overlooked this may result in new processes that operate less robust or weaker controls. Subsequent impact on assurance provision.</p>	<p>To work with the Continuous Improvement team in reviewing 'TO BE' Process Maps produced for significant activity areas, with a view to advising on any risk and control implications including compromised controls, and assessing the significance,</p>	<p>In-House</p>	<p>Throughout the year as required.</p>
<p>8. Commercial Assets &amp; Investments <b>(Income Generation)</b> - <b>(PRIORITY A)</b> Corporate Priority Areas - 'Recovery', 'Service Delivery'</p>	<p>14</p>	<p>Regeneration &amp; Growth</p>	<p>Annual Cycle. Significant financial value re commercial property portfolio and associated risks. Corporate Risk Register - risk category 3.</p>	<p>Weak governance arrangements may contribute to poor investment outcomes and increase exposure to financial risk including loss of anticipated rental income. Inadequate processes to identify/raise/recover/monitor commercial rental income due resulting in delays or losses. Rental waivers and shortfall in achieving overall income target. Late repayment of loans for committed investments results in financial penalties.</p>	<p>To ensure robust control processes and effective governance arrangements are operating regarding the Councils commercial property assets and investments. Review adequacy of systems in place to identify, collect, record and monitor rental income due. Confirm continued performance monitoring arrangements/reporting and ongoing assessment of sinking fund. Review policy arrangements for applying rental waivers and managing rental voids to minimise financial losses.</p>	<p>In-House</p>	<p>Quarter 4</p>

<p>9. Cross cutting audit review of Planning processes linked to Property Development (Housing Delivery Programme) <b>(PRIORITY A)</b> <i>Corporate Priority Area - Affordable Housing</i></p>	<p>12</p>	<p>Regeneration &amp; Growth - Assets &amp; Planning</p>	<p>Annual Cycle. Significant financial value and adverse financial impact from non-development costs. Corporate Risk Register - risk category 1A</p>	<p>Insufficient segregation of duties between the Council's planning and Assets function could weaken governance and lead to poor decisions. Where approaches are not coordinated this may impact broader outcomes. Delays in completing property development schemes, with significant repercussions for delivery of housing and targets. Non-development costs (approx.1.2m over last year) have resulted in significant adverse financial impact for the Council. Supply chain and distribution challenges led to higher costs of materials inflating scheme expenditure.</p>	<p>Carry out a cross cutting review to identify and assess core planning processes linked to property development, considering mechanisms for planning decisions, through to onward commencement and delivery of schemes by Assets. In reviewing governance arrangements, consider adequacy of segregation of duties operating between the Planning and Assets functions in adhering to professional requirements, as well as within the overall decision making process. To review progress with the housing delivery programme, taking account adverse financial impact of the significant delays encountered to date .</p>	<p>Contractor</p>	<p>Quarter 3 or 4</p>
<p>10. Blue Box Software - Housing Rental Income <b>(PRIORITY A)</b> <i>Corporate Priority Area - 'Recovery'</i> <b>REMOVED FROM AUDIT PLAN</b> In view of the findings from the recent commercial assets income review which incorporated Blue Box, it is more appropriate to await progression of those recommendations prior to undertaking any further work on Blue Box. Extending use of the Council's main financial system to centralise the administration and recording of commercial rental income, if implemented, is likely to affect the way Housing rental income is managed going forward.</p>	<p></p>	<p>Regeneration &amp; Growth - Assets</p>	<p>The Council have acquired a new software system – "Blue Box" – to manage rental income across its property portfolio. This property management software supports the accounting system for Knowle Green Estates Ltd (KGE).</p>	<p>The delays in completing property development schemes are already impacting housing rental income, adding to significant financial pressures already facing the Council. Inadequate processes to identify/raise/recover/monitor housing rental income due resulting in delayed or loss of anticipated rental income. Weak integration of new software with the Council's main financial system, leading to inaccurate and unreliable accounting records. Fraud and error risks.</p>	<p>The review will focus on the systems and processes for administering Housing rental income. To assess how the Blue Box. software is being used to raise/record/receive/monitor and recover housing rents due in a timely manner. To consider how effectively this rental strand/module of Blue Box interfaces and integrates with the Council's main financial system to promote system integrity and accurate financial reporting/management information.</p>	<p>Contractor</p>	<p>Removed from workplan</p>



<p>11. Responsive and Planned Maintenance <b>(PRIORITY A)</b> Corporate Priority - Communities, Housing and Service Delivery</p>	<p>12</p>	<p>Regeneration &amp; Growth</p>	<p>Audit review is due and sufficient time elapsed since the operation was brought back in house.</p>	<p>Absence of strategic direction for the Council's assets/maintenance increases costs and deterioration of assets . Contracted maintenance works fail to deliver value for money. Where obligations for undertaking maintenance are not adhered to by Service providers , this may result in additional unexpected costs . Maintenance undertaken may not adhere to quality standards and/or health and safety requirements breached, impacting communities. Financial losses due to fraud and error.</p>	<p>To identify and review key control processes operating relating to the planned and responsive maintenance in-house operation. To consider how effectively contractual obligations for maintenance (where responsibility transferred to 3rd party) are enforced. To review how professional standards and relevant skills are being applied across the function. Undertake sample testing of expenditure and variation orders to confirm validity, reasonableness, accuracy, approval.</p>		<p>Quarter 3</p>
<p>12. Core Financial System - Creditors <i>Note this will be a light touch review based on current resource</i> <b>(FINANCIAL) (PRIORITY A)</b> Corporate Priority - Service Delivery</p>	<p>7</p>	<p>Accountancy</p>	<p>Annual Cycle (Significant value/volume of transactions)</p>	<p>Core Financial Systems - Financial losses and reputational damage due to fraud, collusion, money laundering, theft, error, data manipulation or inefficient processes. Discrepancies between feeder systems and the main accounting system/general ledger (major software upgrade to Centros) are not identified/resolved promptly - . System integrity issues may result in unsatisfactory customer experience and loss of confidence.</p>	<p>Key expected controls will be reviewed and tested for Business Rates . Light touch review of Creditors . Across these audits consider risk and control implications including increased levels of spend, reduced revenue and impact of business failures and insolvency on collection rates.</p>		<p>Quarter 2 for Business Rates. Quarter 3 for Creditors .</p>
<p>13. Core Financial System Treasury Management <b>REMOVED FROM PLAN AS CANNOT BE UNDERTAKEN WITHIN CURRENT RESOURCE LEVELS (PRIORITY B)</b></p>			<p>Annual Cycle (Significant value/volume of transactions). Light touch review to facilitate identification of any emerging risks and control measures (assurance template).</p>				
<p>14. Core Financial System - Business Rates <i>Note light touch review of Business Improvement District income excluded from this version of the plan based on current resources.</i> <b>(FINANCIAL) (PRIORITY A)</b> Corporate Priority - Service Delivery</p>	<p>10</p>	<p>Customer Services</p>	<p>Audit scheduled every 2 to 3 years. (Significant value of transactions)</p>				
<p>15. Air Quality <b>(PRIORITY B)</b> Corporate Priority - Communities , Environment <i>Note reduced audit testing coverage to reflect reduced time budget allocated.</i></p>	<p>7</p>	<p>Environmental health</p>	<p>Audit due to be carried out.</p>	<p>Harmful effect of poor air quality on health of residents and communities; excessive workloads in dealing with other statutory duties impacts Air Quality monitoring work; if fail to meet government targets this could impact community health</p>	<p>To review current mechanisms and processes in place for monitoring pollution levels and assessing whether recommended targets are being met. Confirm reporting arrangements to the relevant government body. Ascertain action plans and strategies in improving air quality . Audit testing coverage will be limited to reflect revised time budgets.</p>	<p>In-House</p>	<p>Quarter 3</p>

16. Safeguarding <b>(PRIORITY A)</b> <i>Corporate Priority - Communities</i>	8	Community Wellbeing	Audit due to be carried out. Note that Section 11 Audit by County carried out every two years.	If there was failure to comply with statutory duty / adhere to Safeguarding Policy, (including failure by County to address Spelthorne referrals), this could lead to death or injury to a child or vulnerable adult, resulting in legal action and reputational damage.	Review core processes to ensure adequate mechanisms are in place for recording and making prompt referrals and relevant follow up. Consider arrangements for collaborative partnerships /muliti-agency working, training and awareness raising .	In-House	Quarter 1
17. Communications <b>(PRIORITY B)</b> <i>All corporate priorities</i> <b>REMOVED FROM PLAN AS CANNOT BE UNDERTAKEN WITHIN CURRENT RESOURCE LEVELS</b>		Communications	Audit due to be carried out.	Reputational damage arising from adverse media attention and negative press/publicity. Accessibility and inclusivity including individuals and communities that are not digitally connected. Mis-information to the public or delayed communications.	A light touch audit review to consider further the risks identified and mitigation measures in place.	In-House	Removed from workplan
18. Procurement <b>(PRIORITY A)</b> All corporate priorities. Replacing Blue Box - residential property income Audit - see earlier	11	Corporate Governance	A review of procurement is considered timely in view of the revised strategies, policies and processes approved during 2021.22. Significant level of procurement activity prevails in view of large projects and schemes.	Fraud, bribery and corruption risks leading to financial losses and reputational damage. Failure to adhere to procurement regulations and Contract Standing Orders may have a number of implications including poor value for money, and insufficient safeguarding/protection of the authority's interests. Lack of transparency on spend incurred may lead to increased challenge.	The review will focus on identifying any emerging risks, as well as consider the robustness of systems of internal control established and operating. It will also consider the level of compliance with procurement regulations and internal policies and associated controls to monitor this. Mechanisms in place to analyse procurement spend with a view to generating efficiencies will be considered.	Contractor	Quarter 4
19. Health and Safety <b>(PRIORITY A)</b> <i>Time budget reduced due to other priorities</i>	3	Various Service Areas	Audit due	Failure to comply with statutory obligations resulting in fines and liability; injury or fatality resulting in reputational damage and adverse media attention.	A corporate cross cutting light touch review of health and safety to consider monitoring and reporting arrangements, training and awareness.	In-House	Quarter 2
20. Completion, finalisation and oversight of prioritised audit assignments from 2021/22 <b>(PRIORITY A)</b>	20	Various Service Areas				In-House	Quarter 1

<p>21. Audit Support - Advisory <b>(PRIORITY A &amp; B - )</b> Corporate initiatives, major projects, government initiatives- <b>Note fewer planned advisory areas can be undertaken based on current resource levels. Advisory work on Leisure Centre/Centros/Government Waste Startegy excluded from plan.</b></p>	17	Various Service Areas	<p>(A) Note developments with key Corporate Initiatives including LGA peer review planned for November 2022. (B) Proposed advisory work on Digital Transformation project (Major Project)</p>	<p>As the risks considerations are vast (some examples ar financial/regulatory/service provision and project delivery/meeting need of communities and residents) , specific risks will be identified further as part of advisory and monitoring work undertaken.</p>	<p>(a)Consideration of significant corporate initiatives, advising as appropriate on risk and control implications.  (b)Provide insight with a view to highlighting any matters deemed relevant.</p>	In-House	Quarter 1 to 4
<p>22. Statutory Reporting - Audit Committee <b>(PRIORITY A)</b></p>	43	Internal Audit	<p>Mandatory Public Sector Internal Audit Standards (PSIAS).</p>	<p>If Internal Audit do not report periodically to the Audit Committee, this will reduce the effectiveness of the Authority's governance arrangements, reduce visibility of the Council's risks and outcomes from Internal Audit's independent assurance work</p>	<p>In accordance with the Audit Committee work programme including Plan preparation, Charter review, progress reports, annual effectiveness review, annual audit report and opinion, governance reporting etc and associated meetings .</p>	In-House	<p>To coincide with Audit Committee work programme and cycle of meetings . Currently July, November and March</p>
<p>23. Audit Follow Up <b>(PRIORITY A)</b> <b>Note - frequency of follow up audit work reduced based on current resource levels.</b></p>	6	Internal Audit with Service leads	<p>Periodical follow up of audit recommendations forms part of audit standards and key monitoring processes (PSIAS). It contributes to demonstrating value added in mitigating / managing Council risks.</p>	<p>If medium to high-risk audit recommendations are not implemented this will impact the robustness of internal control systems, risk management and governance arrangements.</p>	<p>To ensure that where audit recommendations have been agreed by Management, they are being implemented. Reporting to the Corporate Management Team and Audit Committee on the status of audit recommendations.</p>	In-House	Once a year
<p>24.Continuous Improvement Initiatives for Internal Audit <b>(PRIORITY A)</b> <b>Note - Data Analytics work to provide extended assurance as well as other improvement initiatives cannot be undertaken under this audit plan based on current resource levels.</b></p>	15	Internal Audit	<p>Adherence to Professional Internal Auditing Standards (PSIAS), best practice and emerging methodologies.</p>	<p>If opportunities to enhance the service are not considered this could lessen continuous improvement . Adherence to Professional Internal Auditing Standards (PSIAS).</p>	<p>(i)External Quality Assessment (EQA) is a requirement under PSIAS once every five years. Reciprocal reviews planned to be undertaken.</p>	In-House	Quarter 3 & 4
<p><b>Total Audit Days - Assignments, Audit Support &amp; planned advisory areas , Statutory Reporting, PSIAS &amp; Continuous Improvement work</b></p>	243						
<p><b>Corporate Roles:</b> <b>(i)Corporate Counter Fraud</b> <b>(ii)Corporate Risk Management</b></p>	45						
<p><b>All other work across the team to support the authority and delivery of the Internal Audit Service (See below)</b></p>	121						

Contingency/ unforeseen work (Confidential Investigations; ad hoc advice to Management on emerging risks and issues/ new and developing processes); staff briefings/ Working groups / External Audit liaison/ /Plan monitoring and reprioritisation/ Team & Service Management/ Commissioning contractor resource and monitoring/Legal matters/ corporate tasks / CPD training/ miscellaneous tasks			
<b>Total Audit plan Days</b>	409		
<b>Resource available in Days 2022/23 (ESTIMATED)</b>	409		
<b>Shortfall in days</b>			
Days Available After Deduction for Annual Leave & Bank Holidays & small provision for Sickness Absence (Estimate)			
PT - Part Time 0.75 FTE	161		
PP - Full Time 1 FTE	218		
Contractor - budget days	30		
Total	409		

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**FORWARD PLAN 2022/23****AUDIT COMMITTEE – 28 JULY 2022****Resolution Required****1. Forward Plan**

- 1.1 This report covers the Forward Plan for the municipal year 2022/23.
- 1.2 The Committee's terms of reference are attached to the agenda.

**2. Future Meetings**

- 2.1 Future meetings of this Committee are proposed in the following months:
- November 2022
  - March 2023
- 2.2 Details of the Forward Plan for future meetings are as follows:

<b>July 2022</b>	<b>Officer</b>	
Corporate Risk Management report	Internal Audit Manager	Report/Recommend to CPRC
Council's risk exposure to wider externalities and impact	Internal Audit Manager	Report
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
External Audit update	External Auditors	
Internal Audit Annual Report 2021/22	Internal Audit Manager	Report
Report on The Effectiveness of the System of Internal Audit	Internal Audit Manager	Report
Annual Governance Statement 2021/22	Chief Finance Officer/Head of Corporate Governance	Report for approval
Risk Appetite Framework update	Internal Audit Manager	Report update
Internal Audit Plan 2022/23 update	Internal Audit Manager	Report update
Budget setting process for additional staff		
Corporate Project Management update	Group Head Commissioning and Transformation	Report
VFM Task Group update	Chief Finance Officer	Verbal update

Committee's Forward Plan for 2022/23	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report
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<b>November 2022</b>	<b>Officer</b>	
Corporate Risk Management	Internal Audit Manager	Report/Recommend to CPRC
Covid-19 Risk Considerations	Internal Audit Manager	Report
External Audit Plan update	External Audit	Report
Internal Audit Interim Report	Internal Audit Manager	Report
Confidential Reporting Code	Group Head of Corporate Governance	Review/Recommend to Council
Counter-Fraud, Bribery and Corruption Strategy	Internal Audit Manager	Review/ recommend to Council
Corporate Project Management update	Group Head Commissioning and Transformation	Report
VFM Task Group update	Chief Finance Officer	Verbal update
Committee's Forward Plan for 2022/23	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report

<b>March 2023</b>	<b>Officer</b>	
Corporate Risk Management	Internal Audit Manager	Report/Recommend to CPRC
Covid-19 Risk Considerations	Internal Audit Manager	Report
Internal Audit Annual Plan 2023/24	Internal Audit Manager	Report
Corporate Project Management update	Group Head Commissioning and Transformation	Report
External Audit update	External Auditors	
Committee's Forward Plan for 2023/24	Internal Audit Manager/Chief Finance Officer/Audit Committee	Work Programme

- 2.3 Any topics identified during consideration of the business at this meeting will need to be included in the above Forward Plan.
- 2.4 Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee, may be included in the Forward Plan.
- 2.5 External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Forward Plan or appear on the agenda as appropriate. In the

event of the Council receiving external auditor reports between scheduled meetings of the Committee it may be necessary to call additional meetings of the Committee.

- 2.6 Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not implemented the recommendations of 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 Forward Plan or appearing on the agenda as appropriate.

### **3. Resolution**

The Committee is asked to consider and approve the Forward Plan 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:**

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
Value for Money Statement 2019/20	External Auditors
Annual Audit Letter 2019/20	External Auditors
External report of Audit and Statement of Accounts 2019/20	External Auditors
Value for Money Statement 2020/21	External Auditors
Annual Audit Letter 2020/21	External Auditors
External report of Audit and Statement of Accounts 2020/21	External Auditors