



Please reply to:

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Date: 16 November 2022

Notice of meeting

Audit Committee

Date: Thursday, 24 November 2022

Time: 7.00 pm

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

To the members of the Audit Committee

Councillors:

H. Harvey (Chairman)

J. Button (Vice-Chairman)

S. Buttar

T. Fidler

I.T.E. Harvey

K. Howkins

L. E. Nichols

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

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose

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

1. Core Functions

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

2. To receive Corporate Project Management updates

AGENDA

Page nos.

- 1. Apologies and Substitutes**
To receive any apologies for absence and notification of substitutions.
- 2. Minutes** **5 - 10**
To confirm the minutes of the meeting held on 28 July 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. Review of the Internal Audit Charter** **11 - 48**
To review and approve the Internal Audit Charter.
- 5. Corporate Risk Management** **49 - 92**
To consider the significant strategic risks and issues highlighted in the report from the Internal Audit Manager.
- 6. The Council's Risk Exposure to Wider Externalities and Impact** **93 - 114**
To receive and note a report on the Council's risk exposure to wider externalities from the Internal Audit Manager.
- 7. Interim Internal Audit Report** **115 - 132**
To receive and note the interim internal audit report from the Internal Audit Manager which summarises work undertaken by the service during the period April to October 2022.
- 8. Confidential Reporting Code** **133 - 142**
To note a review of the Confidential Reporting Code (Whistleblowing Policy) and to consider agreement to retain the current policy.
- 9. Appointment of Independent Person to Audit Committee**
To receive a verbal update on the appointment of an Independent Person to the Audit Committee.
- 10. Procurement Action Plan Update** **143 - 156**
To note the progress of the actions in the Procurement Action Plan.
- 11. Audit Committee Training Needs**

To consider and discuss the training needs of the Audit Committee.

12. Committee Forward Plan

157 - 160

To consider and approve the forward plan for the remainder of the municipal year.

13. VFM Task Group Update

To receive a verbal update from the Deputy Chief Executive.

**Minutes of the Audit Committee
28 July 2022**

Present:

Councillor L. E. Nichols (Chairman)
Councillor R.O. Barratt (Vice-Chairman)

Councillors:

J. Button	I.T.E. Harvey
T. Fidler	S.J Whitmore

Substitutions: Councillors S. Buttar

Apologies: Councillors A.J. Mitchell and S. Sehmi

In Attendance: Councillors C. Bateson and M. Beecher

13/22 Apologies and Substitutes

Before the Committee were informed of any apologies, Councillor Harvey asked that the meeting go into a closed session to discuss a confidential matter that he wanted to raise.

The Committee **resolved** to enter into a closed session.

After the confidential issue had been discussed the meeting moved back into an open meeting.

Apologies for absence were received from Councillor Mitchell, Councillor Buttar attended as his substitute.

14/22 Minutes

The minutes of the meeting held on 24 March 2022 were approved as a correct record of proceedings.

15/22 Disclosures of Interest

There were none.

16/22 Corporate Project Management update

The Committee received a verbal update from the Group Head Commissioning and Transformation on the new Corporate Project Management system.

The Committee were advised that this system would allow officers to update projects as they progressed. Members would be able to view each project to see track changes and what progress had been made.

The Group Head Commissioning and Transformation advised that all members and officers would be provided with training on the system.

17/22 Risk Appetite Framework update

The Internal Audit Manager presented the Committee with an update on the Risk Appetite Framework.

The Committee asked that a further verbal update be provided at the next meeting of the Committee on 24 November 2022.

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

18/22 The Council's risk exposure to wider externalities and impact

The Internal Audit Manager presented the Committee with an update on the Council's risk exposure to wider externalities and impact.

Concerns were raised about the current cost of living crisis and how this has impacted on the Council's Council Tax payers and the level of arrears. The Deputy Chief Executive advised that he would update the Committee on the current arrears position compared to pre-COVID19. He would also update the Committee further at the next meeting on 24 November 2022.

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

19/22 Corporate Risk Management

The Internal Audit Manager presented the Committee with a report on the Corporate Risk Management that sought consideration of the significant strategic risks and issues highlighted in the report and the approval to present these to the Corporate Policy & Resources Committee.

Concerns were raised by the Committee about the lack of reference to equality, diversity and inclusion on the Corporate Risk Register. This was considered an important strategic risk category. Members asked that this be put on the register under the ownership of the Head of Paid Services. Issues surrounding the recruitment and retention of staff were also raised and the Chair asked that a report be presented to the Administrative Committee. The Committee requested that they be shown the results of the recently held staff survey. The Deputy Chief Executive advised that this would be shared with members once the members' survey had been completed and the results analysed so that both sets of outcomes could be considered together.

The Committee **resolved** to make a recommendation to the Corporate Policy & Resources Committee to note the significant strategic risks and issues highlighted in the report.

20/22 Annual Review of Internal Audit Effectiveness

The Internal Audit Manager presented the Committee with a report on the Annual Review of Internal Audit Effectiveness.

The Committee asked that the Audit Charter be added to the Forward Plan for this committee.

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

21/22 Internal Audit Annual Report 2021/22

The Committee considered a report from the Internal Audit Manager that set out her independent audit opinion for the 2021/22 period.

Concerns were raised that the Council no longer had a designated Overview & Scrutiny Committee. Committee Services were requested to provide minutes from the Committee System Working Group that would explain why it had been decided that the scrutiny function was not added to the remit of the Administration Committee.

The Committee **resolved** to:

1. note the Annual Internal Audit Report for 2021/22; and
2. note the annual audit opinion on the Council's internal control environment, risk management and governance arrangements.

22/22 Internal Audit Plan 2022/23

The Committee considered a report from the Internal Audit Manager that sought to provide an update on the Internal Audit Plan 2022/23.

Concerns were raised by the Committee in respect of lack of resources within the Audit Team that would impact on their ability to address all the audit/business needs identified in the report.

The Committee **resolved** to:

1. note and approve the revised Internal Audit Plan for 2022/23 based on the current level of audit resource continuing to operate throughout 2022/23; and
2. note that the incoming permanent Group Head of Corporate Governance will be advising this Committee further on any future additional resourcing. In the interim, the Internal Audit Manager had set out alternative options to explore in addressing service priorities and business needs, including risk implications and considerations associated with each option.

23/22 External Audit Update

This item was not discussed at the meeting.

24/22 Annual Governance Statement 2021/22

The Committee considered a report from the Deputy Chief Executive on the Annual Governance Report 2021-22.

The Committee were advised that this report had to be submitted the following day.

The Committee expressed some concerns about the grammar and the non-consistent approach to information provided within the report. The Deputy Chief Executive advised the Committee that all their concerns would be addressed when producing the report for 2022-23.

The Committee **resolved** to approve the draft Annual Governance Statement and endorse the improvement actions identified in the Statement.

25/22 Draft Unaudited Accounts 2021/22

The Committee considered a report from the Chief Accountant that outlined the draft unaudited financial statements for 2021/22.

The Committee were advised that the draft accounts for year ended 31 March 2022 needed to be published by 31 July 2022. The Chief Accountant advised the Committee that details of any additional transactions after the draft accounts had been submitted would be sent to the Committee members before the final financial statement was submitted.

The Committee **resolved** to note the report and the draft unaudited financial statements.

26/22 Draft Unaudited Accounts for Knowle Green Estates - Verbal Update

The Committee received a verbal update from the Chief Accountant.

The Chief Accountant advised the Committee that the final accounts would be brought before the Corporate Policy & Resources Committee.

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

27/22 Draft Unaudited Accounts for Spelthorne Direct Services - Verbal Update

The Committee received a verbal update from the Chief Accountant

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

28/22 Budget setting process for additional staff

The Committee considered an update from the Deputy Chief Executive

The Committee asked how much the staffing costs have risen over the past 5 years. The Deputy Chief Executive advised that he would provide these figures to committee members.

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

29/22 Committee Forward Plan

The Committee considered its Work Programme for the remainder of the 2022/23 Municipal year.

The Committee asked that a Value for Money Task Group Update item be put on the Forward Plan to be considered at the March 2023 meeting of the Committee.

Resolved that the Committee Work Programme for the remainder of the 2022/23 Municipal year, be approved.

30/22 Re-constitution of Value for Money Task Group

The Committee considered whether they wished to reconvene the Value for Money Task Group.

The Monitoring Officer advised the Committee that any Committee could potentially convene a Task & Finish Group and that membership of the group would be decided by the Committee. However the Council's Constitution

would need to be revised to reflect this. The Committee asked that the Committee Manager write to the Chair of the Committee System Working Group to request that this be considered at their next meeting.

31/22 Exclusion of Public & Press

It was proposed by Councillor Fidler, seconded by Councillor Harvey, and **resolved** that the public and press be excluded during consideration of the following item, in accordance with paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) because it was likely to disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in being able to undertake even-handed negotiations and finalising acceptable contract terms.

32/22 Value for Money Update

The Deputy Chief Executive advised the Committee that the external auditors, KPMG were still compiling a final draft opinion following receipt of additional information. It is unknown when their final opinion would be received.

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

The Monitoring Officer advised the Committee that she had reviewed an issue around a contractual irregularity. The Monitoring Officer and the Section 151 Officer had agreed that process improvements are to be implemented involving the Procurement Team and Group Heads. The Committee were advised that the issue had been noted by Accountancy and Internal Audit. The Contract Register would be brought up to date by end of August 2022. A further update will be provided to the committee at the next meeting.

Audit Committee

24 November 2022



Title	Internal Audit Charter
Purpose of the report	To note and approve
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not Applicable
Corporate Priority	All Corporate Priorities Community Affordable housing Recovery Environment Service delivery .
Recommendations	The Audit Committee is asked to review and approve the Internal Audit Charter, which sets out the purpose, authority and responsibilities of the Internal Audit service at the Council.
Reason for Recommendation	In accordance with the mandatory Public Sector Internal Audit Standards (PSIAS), the Audit Committee are required to approve the Internal Audit Charter, which is subject to periodical review.

1. Summary of the report

- 1.1 The mandatory Public Sector Internal Audit Standards (PSIAS) highlight the requirement for public bodies to have an Audit Charter and for this to be reviewed biennially, communicated and approved by the Audit Committee.
- 1.2 This report therefore seeks to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, as outlined in the refreshed Audit Charter reviewed in October 2022 (Appendix 1 – clean version). This cover report sets out the pivotal points for the attention of the Audit Committee and strategic Management Team.

2. Key issues

- 2.1 The Audit Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the mandatory UK Public Sector Internal Audit Standards. The charter sets out the nature of services that internal audit will provide and how internal audit will support the Council to achieve its corporate priorities and objectives, through the provision of independent objective assurance on the effectiveness of systems of internal control in managing risk, as well as adding value through advice, insight and support.
- 2.2 The Audit Charter has been reviewed and revised (previously updated July 2019) to ensure it is still compliant with the mandatory Public Sector Internal Audit Standards (PSIAS) which came into effect from April 2013 with subsequent revisions from April 2017. This also completes one of the actions arising from the Internal Audit Manager's recent annual review of the 'effectiveness of internal audit' reported to the Audit Committee in July 2022.
- 2.3 The key messages and pivotal points of the audit charter remain unchanged. The latest refresh incorporates several changes to the previous document to ensure it is current and relevant. These revisions relate to reporting lines, provide greater detail around the level of 'non-audit' duties undertaken by the Internal Audit Service, highlight the necessary safeguarding of audit independence and objectivity, refer to new approaches for assessing auditor skills/competency, and mention limitations in moving certain activities recommended under PSIAS forward (QAIP and organisational assurance framework) in the context of service priorities.
- 2.4 The revised Internal Audit Charter at Appendix 1 includes the following sections and the key points are summarised here. These sections were in the previous charter, but the content has been expanded and amended as appropriate to ensure it is current. Where there is *no change* this has been highlighted below and for completeness we also include a track changes version of the Charter at Appendix 2, in addition to the clean version at Appendix 1:
- (a) **Application of Charter and review** (Section 1) - In PSIAS the 'Head of Internal Audit' role is referred to as the Chief Audit Executive. The Internal Audit Manager at Spelthorne represents the 'Head of Internal Audit' as she holds executive responsibility for discharging essential requirements of this role defined by CIPFA (see reference at top of section 11). Therefore, as Chief Audit Executive is responsible for applying the Charter and keeping it up to date on a biennial basis. *Minor change.*
- (b) **Purpose and Mission** (Section 2)–Includes a mission statement as set out in PSIAS. The mission of Internal Audit is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. There is also reference to supporting the successful achievement of the Council's corporate priorities, strategic and business objectives. *Minor change.*

- (c) **Statute** (Section 3) – Legislative requirement for Internal Audit including responsibilities of the Section 151 Officer/Chief Finance Officer. *No change.*
- (d) **Access and Authority** (Section 4)– Highlights the importance of Internal Audit having free and unrestricted access to all records, premises, officers and Members deemed necessary in fulfilling its duties. It outlines how the Audit Committee on an ongoing basis will endorse and approve audit authority. *Minor change.*
- (e) **Responsibilities and Scope** (Section 5)- Sets out responsibility in providing independent and objective assurance to the Council on the adequacy of systems of internal control, risk management and governance arrangements. A key outcome of internal audit activity is an evidence based annual audit opinion representing a key assurance statement for the Council. *Some updates have been made to this section of the Charter.*
- (f) **Independence, Objectivity and Positioning** (Section 6) – The importance of fundamental principles of auditing (independence and objectivity) is explained as well as how organisational independence is achieved and applied. There is reference to ‘non-audit’ corporate responsibilities and the wider remit undertaken by the service. In safeguarding audit independence, the Charter mentions that Internal Audit are not able to provide objective assurance of those systems and processes where it is directly involved (corporate risk management and high-risk counter fraud). Therefore, it is the Council’s responsibility to make adequate arrangements for seeking assurance provision of these areas. *Some updates have been made to this section of the Charter.*
- (g) **Reporting Lines** – (Section 7) PSIAS requires the Chief Audit Executive (Internal Audit Manager at Spelthorne) to be appropriately positioned, reporting at the highest level of the organisation with free and unfettered access. This includes reporting to both the executive (strategic management team) and non-executive board represented by the Audit Committee, with a requirement for the Internal Audit Manager to meet independently with the Chair of the Audit Committee. This section also refers to revised reporting lines of the Internal Audit Manager with effect February 2020, reporting directly to the Group Head of Corporate Governance. Dotted reporting lines to the Section 151 Officer and Chief Executive form part of the organisational chart to preserve audit independence. *Some updates have been made to this section of the Charter.*
- (h) **Engagement and Communication** (Section 8) –Internal Audit engage and consult with senior management as part of the audit planning process and communicate at various stages during the course of assurance assignments. There is reference to the ‘added value’ role in supporting services on risk, control, and governance issues. *Some updates have been made to this section of the Charter.*
- (i) **Fraud, Bribery and Corruption** (Section 9) - Internal Audit and management responsibilities are outlined/differentiated including the

importance of alerting the Section 151 Officer and Internal Audit Manager immediately where irregularities are suspected to enable appropriate action to be taken to safeguard the authority's assets. Promotion of a Counter fraud, bribery and corruption culture is achieved through annual review of the strategy, and its application. *Some updates have been made to this section of the Charter.*

- (j) **Audit Resources and competencies** – This sets out current staffing levels and refers to both service level and organisational responsibilities in considering whether the Internal Audit function is sufficiently resourced. It also sets out how auditor competencies and proficiencies are assessed. *Some updates have been made to this section of the Charter.*
- (k) **Audit Approach and Service Delivery** – Some of the core activities and duties in managing the delivery of the audit service are outlined. Reference is also made to the requirement for the Council to develop an assurance framework to articulate the alternative sources of assurance (both independent sources and other). This is not however a priority given that overstretched corporate capacity remains a corporate risk. *Some updates have been made to this section of the Charter.*
- (l) **Professional Standards and Ethical conduct** –The importance of exercising due professional care through adherence to statutory requirements, core principles and professional codes of conduct/frameworks. This extends to professional codes of ethics highlighting the importance of integrity, objectivity, confidentiality and competency. *Minor updates to this section.*
- (m) **Quality Assurance Improvement Programme (QAIP)**- Mechanisms already in place including an annual review of audit effectiveness. Further development of a QAIP programme to demonstrate how the function is operating effectively is not a priority given the need to prioritise activities. We are incorporating into 2023/24 an action for measuring percentage of agreed audit recommendations implemented as an indicator of enhanced organisational internal control in managing risk. *Some updates have been made to this section of the Charter.*

3. Options analysis and proposal

- 3.1 Option 1 (Preferred Option) .The revised Charter includes relevant and current content in setting out the purpose, authority and responsibilities of Internal Audit, as well as organisational responsibilities with reference to key stakeholders in supporting Internal Audit, as attached at Appendix 1. The Audit Committee is responsible for approval of the Charter, as a requirement of the PSIAS.
- 3.2 Option 2 . Do nothing and revert to the previous Charter, which has become out of date.

4. Financial implications

- 4.1 There are none.

5. Risk considerations

- 5.1 If the Audit Charter and the principles and practices it conveys are not effectively applied it could have implications for the reliability and communication of assurance provision and recommendations for ongoing organisational improvement in managing risk and delivering objectives.
- 5.2 Continuous effective application of the audit charter is dependent on (i) ongoing organisational support from key stakeholders including the Audit Committee and the strategic Management Team (ii) Proficient, competent and skilled audit resources (iii) Suitable overall direction to ensure planning, delivery and assurance provision is proportionately risk focussed.
- 5.3 The detailed audit charter (refreshed) at Appendix 1, once formally approved and signed off by relevant parties, is intended to safeguard and minimise potential risk implications set out at para 5.1. To reiterate, the Charter defines the purpose, authority and responsibility of the internal audit activity consistent with the PSIAS and makes reference to necessary principles/processes/systems/reviews/arrangements/approaches in adherence with PSIAS.

6. Procurement considerations

- 6.1 The Audit Charter refers to Contractor audit resource and such procurement activity has been/will continue to be subject to seeking alternative quotations in accordance with procurement thresholds, supported by legal agreements with Service Providers.

7. Legal considerations

- 7.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory further to the Accounts and Audit (England) Regulations 2011. The PSIAS require public bodies to have an Audit Charter and for this to be reviewed biennially, communicated and approved by the Audit Committee. This is also referenced in the opening paragraph of this report at 1.1.

7.2 Other considerations

- 7.3 There are none.

8. Equality and Diversity

- 8.1 Equality and Diversity forms part of the audit universe referred to in the Audit Charter at Appendix 1 section 11 and there is scope for this to be considered as a discrete area for review in 2023/24 or 2024//25 as part of the planned audit work programme. This will however depend on the audit needs assessment and continued prioritisation in targeting finite audit resources.

9. Sustainability/Climate Change Implications

- 9.1 Sustainability and Climate Change forms part of the audit universe referred to in the Audit Charter at Appendix 1 section 11 and was reviewed in 2021 as part of the planned audit work programme, with recommendations to enhance control in managing risk.

10. Timetable for implementation

- 10.1 Application of the Audit Charter is already effective and ongoing so no timetable is proposed.

11. Contact

- 11.1 Punita Talwar, Internal Audit Manager.

p.talwar@spelthorne.gov.uk

01784 446454

Background papers: Public Sector Internal Audit Standards (PSIAS – UPDATED 2017)

Appendices:

Appendix 1 – Internal Audit Charter (Clean version)

Appendix 2 - Internal Audit Charter (Track changes version)

10/21/2022

Internal Audit Charter

Purpose, Authority and
Responsibilities of Internal Audit

Talwar, Punita
SPELTHORNE BOROUGH COUNCIL

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1. Introduction, Application and Review

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the mandatory UK Public Sector Internal Audit Standards (PSIAS 2017).

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

In PSIAS the ‘Head of Internal Audit’ role is referred to as the Chief Audit Executive. At Spelthorne there is no formally designated ‘Head of Internal Audit’. The Internal Audit Manager represents the ‘Head of Internal Audit’ for the purpose of PSIAS and therefore as Chief Audit Executive is responsible for applying this Charter and keeping it up to date. The Charter shall be reviewed biennially (once every two years) and approved by MAT and the Audit Committee.

The strategic Management Team (comprises Chief Executive – Head of Paid Service, and two Deputy Chief Executives one of whom is the statutory Section 151 Officer), the Monitoring Officer and the Audit Committee are expected to familiarize themselves with their specific responsibilities in supporting the role of Internal Audit (note references in relevant CIPFA professional publications). The Terms of Reference for the Audit Committee also set out its specific responsibilities relating to Internal Audit.

2. Internal Audit Purpose and Mission

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

Internal Audit is defined in the PSIAS as:

“An independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

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

3. Statutory Requirement

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

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

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

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

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

4. Access and Authority

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

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

As are considered necessary by those officers conducting the audit.

The scope of Internal Audit's remit includes the organisation's entire control environment and the Audit Committee authorises the internal audit department to have free and unrestricted access to all functions, records, assets and premises deemed necessary by auditors in the course of internal audit work. Internal Audit will give due regard to confidentiality and safeguarding in securing such records. In addition, Internal Audit will have unrestricted access to the Audit Committee, Chief Executive, Deputy Chief Executives, Members of the Council and all employees of the authority.

PSIAS also recommends that the Chief Audit Executive holds independent meetings with the Chair of the Audit Committee at least once a year (this has been referred to in the annual effectiveness review of Internal Audit, reported to Audit Committee in July 2022). This will be arranged with the new Audit Committee Chair at appropriate intervals.

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

- Approve the internal audit charter
- Approve the risk-based audit plan
- Receive and consider periodical reports from the Internal Audit Manager on recommendations arising from planned assurance reviews and other work undertaken across the service including added value activities

- Receive and consider the annual audit opinion which supports the Annual Governance Statement

5. Internal Audit Responsibilities and Scope

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

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

Annually the Internal Audit Manager is required to provide to the Audit Committee an overall opinion based on an objective assessment of the Council's framework of governance, risk management and internal control to support the Annual Governance Statement. This is a key outcome of internal audit activity and represents a key assurance statement for the Council.

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

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

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

6. Independence, Objectivity and Positioning

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

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

- The position of the Internal Audit Manager within the overall management structure of the Council should have sufficient status and be of appropriate seniority in order to ensure that audit plans, reports and action plans are discussed effectively with both the Audit Committee and the strategic management team.
- It is important that the Internal Audit function is not placed hierarchically under parts of the organisation that are themselves subject to internal audit scrutiny. From

February 2020, the Internal Audit Manager reports directly to the Group Head of Corporate Governance. Independence is preserved through a dotted reporting line to the Section 151 Officer (Deputy Chief Executive) who is part of the strategic management team, as well as a dotted line to the Chief Executive. This reporting is reflected in the organisational structure chart. The Internal Audit Manager also has a functional reporting relationship to the Audit Committee Chair as a non-executive board member.

- Internal Audit has freedom to report in its own name and without fear or favour to, all officers and Members, with direct and unrestricted access to the Section 151 Officer, Chief Executive, strategic Management Team and Audit Committee.
- The Internal Audit Manager's remuneration and performance appraisal should not be inappropriately influenced by those subject to audit.
- Audit Committee approves (but does not direct) the Charter and Internal Audit Plan, being kept regularly informed of Internal Audit activities (see earlier reference to section on access and authority).
- Internal Audit recommendations including implementation status are reported to Audit Committee periodically.
- Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal Audit is segregated from operational responsibilities and every effort will be made to preserve objectivity by ensuring that Internal Audit staff do not undertake any non-audit duties, except for the following corporate tasks/responsibilities undertaken by the Internal Audit Manager:

(i)Corporate Risk management. Actively facilitate the Council's Corporate Risk Register to identify, assess and monitor the most significant strategic risks that may impact the effective delivery of the Council's corporate priorities. This includes periodical reporting to the Audit Committee, as well as Corporate Policy and Resources Committee. In promoting collective ownership of strategic risks, liaison with the Committees team to ensure Service Committees are informed of the Corporate Risk Register (3 times a year).

(ii)Ongoing development of risk management, enhancing the Council's overall level of risk maturity. This includes refreshing the risk management policy, raising awareness through training and promoting the Council's adoption of a risk appetite framework to further strengthen transparent and consistent decision making in delivering objectives.

(iii)Oversight of High-risk public fraud. Collaborative working with internal teams and Service Provider in pursuing counter fraud measures and new initiatives, focussing on areas where the occurrences and ongoing risk of public fraud remains high, such as Housing, Business Rates, Council Tax and Benefits. Targeting counter fraud activity generating greater financial returns and wider community benefits. Continued awareness raising alongside Service Provider across relevant teams around proactive fraud drives, preventative and reactive counter fraud measures in implementing the strategy. Collating, analysing, monitoring and reporting quantified fraud savings generated/fraud losses prevented or stopped, based on central government estimated savings to the public purse, as well as cashable savings to the authority.

(iv)Annual review and reporting of the Counter Fraud, Bribery and Corruption Strategy

Appropriate arrangements will be put in place to safeguard the independence of Internal Audit and avoid conflicts of interest where it is involved in duties that fall outside the primary objective assurance role. Internal Audit are not in a position to undertake cross cutting assurance reviews of either the corporate risk management process or Counter Fraud (high risk public fraud), due to its significant role in both of these organisational areas. It is the responsibility of the Council to arrange alternative approaches for seeking assurance on these areas.

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

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

Internal Auditors will maintain an unbiased attitude that enables them to perform audit engagements objectively and in such a manner that quality is not compromised, and they do not subordinate their judgement on audit matters to others. All auditors are aware to identify any threats to objectivity as set out in the PSIAS Code of Ethics.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed. If the Internal Audit Manager feels that independence or objectivity may be impaired, the details of impairment will be disclosed to relevant Officers including the Section 151 Officer.

Should at any time any threats to objectivity be identified at any level (Auditor/organisationally/functionally), these will need to be managed and reported as appropriate.

7. Reporting Lines

PSIAS requires the Internal Audit Manager to be appropriately positioned, reporting at the highest levels of the organisation and the arrangements are set out below:

- The Internal Audit Manager reports directly to the Group Head of Corporate Governance and has a dotted reporting line to both the Section 151 Officer and Chief Executive. This is set out in the organisational structure chart.
- Regardless of line management arrangements, the Internal Audit Manager has free and unfettered access to report to the Section 151 Officer, the Chief Executive; Strategic Management Team; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor.
- Audit final reports are issued to the relevant Group Head/Lead Manager with whom the audit has been undertaken, as well as being circulated to the strategic Management Team and the Group Head of Corporate Governance.

- The Audit Committee receives reports three times a year on internal audit activity, including audit recommendations on planned assurance work and status monitoring.

8. Engagement and Communication

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

All Group Heads and Managers are consulted in detail as part of the annual audit planning process which feeds into defining the audit need. In supporting services on risk, governance and control issues Internal Audit offers advice and insight focussing on medium to higher risk areas. These may incorporate consideration of emerging risks within service areas and therefore future focused. Such measures represent 'added value' in terms of the audit role beyond the core planned assurance work. Where the level of such added value work increases, the Internal Audit Manager will consider any impact on its work plan.

At an individual audit assignment level, engagement commences at the outset and forms part of the planning and scoping stage articulated through the Terms of Reference. Throughout the assignment communications take place with Managers including discussion of findings and recommendations aimed to strengthen internal control and management of risk, and thereby organisational improvement. We may consider further scope to introduce a post-audit completion feedback survey from auditees.

9. Fraud, Bribery & Corruption

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

Internal Audit will however be alert in all its work to risks and exposures that could enhance opportunities for fraud, bribery, or corruption, and where necessary will advise if internal controls could/should be strengthened.

The Section 151 Officer and Internal Audit Manager should be informed immediately of all suspected or detected fraud, bribery, corruption, impropriety, or irregularity. The importance of raising concerns of this nature (as well as several other concerns) forms part of the Council's Confidential Reporting Code (Whistleblowing Policy) owned by the Group Head of Corporate Governance.

Internal Audit will consider the adequacy of the relevant control framework, recommend improvements to strengthen controls to minimise future fraud risks, and evaluate the implication for the annual audit opinion on the control environment. There may be a requirement to bring in Investigators to lead or assist Special investigations (relating to suspected internal fraud or irregularity) as there is insufficient capacity within the Internal Audit team to undertake the whole process, particularly given that investigations are often by their nature very resource intensive.

Furthermore, this approach can provide access to specialist expertise including Financial Investigator resources and Forensic Analysts, contributing to a more successful outcome. Discretion and confidentiality will be applied throughout the process.

The service may need to go beyond the work needed to meet its assurance responsibilities to support or lead investigations and liaise with senior Managers if deemed appropriate and as required but this will be dependent on circumstances and resources available.

The Council's Monitoring Officer (Group Head of Corporate Governance) is responsible for investigating allegations of bribery and corruption where this has implications for the Member Code of Conduct.

Internal Audit together with the Group Head of Corporate Governance and strategic Management Team will promote a Counter fraud, bribery and corruption culture within the Council to aid the prevention and detection of fraud, bribery and corruption. This will be achieved through annual review of the Counter Fraud, Bribery and Corruption Strategy, periodical refresher counter fraud training /awareness raising and continued promotion of measures to target high risk public fraud (see earlier section 6).

10. Resources and Competencies

The Internal Audit Manager is responsible for managing and delivering the internal audit service at Spelthorne and reports directly to the Group Head of Corporate Governance.

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

Internal Audit Manager (.75 FTE)

Senior Internal Auditor (1 FTE)

Externally contracted audit resources are deployed within budget to supplement the internal audit team.

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

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

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

PSIAS stipulate that the Chief Audit Executive must be a fully qualified Auditor or Accountant to undertake their duties. The Internal Audit Manager achieved the full

Chartered Institute of Internal Auditors (CMIIA) qualification in 2002 and has gained extensive audit experience at Spelthorne.

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

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

- The skills and competencies for each level of auditor are defined in job descriptions and person specifications that are all approved through the Council's formal processes. These are reviewed and updated as necessary for example when recruiting for new Auditors or if there have been significant changes to responsibilities.
 - The Internal Audit Manager has produced an Auditor skills and competency framework for all team members to self-assess against the criteria. This mechanism can be used to identify any training or personal development needs.
- Internal Auditors have access to an Internal Audit Manual setting out operational standards and processes, subject to periodical review.
- Each audit review is overseen by the Internal Audit Manager at key stages to ensure appropriate supervision and direction, considering the level of Auditor experience/skills/qualification. This includes a quality assurance review process on completion of the work.
- As part of the Council's Continuous Performance review process, quarterly meetings and weekly one to one's are undertaken for staff. Auditor training and personal development/qualification needs are identified through this process.

11. Audit Approach and Service Delivery

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

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

- Prepare an annual risk-based Internal Audit Plan which aligns to the organisation's corporate priorities/strategic objectives and will support the annual internal audit opinion, for formal approval by Management Team and Audit Committee. The plan will set out planned objective assurance

assignments, prioritised and allowing for some flexibility to take into account changing risk priorities/emerging risk areas. The methodology applied in determining the audit need and audit plan is set out in the annual plan report which refers to the audit universe (all auditable areas). The plan also incorporates several other categories of identified work including statutory reporting requirements and Audit Committee, Audit Support, high level oversight on Counter Fraud, Corporate Risk Management, and development.

- Ensure effective delivery of planned audit reviews including scope determination, consideration of relevant risks (not just financial risks), and application of techniques required to accomplish audit objectives and offering appropriate steer and guidance to assigned Auditors.
- Ensure a system of supervision of internal audit work, giving due regard to compliance with risk-based audit methodologies when performing engagements (identify/analyse/evaluate/document information) in delivering audit objectives. Where necessary evaluations will be further substantiated through testing and verification with results and audit conclusions all evidenced through sufficient working papers. Quality assurance and review of audits are undertaken prior to issue of draft and final reports.
- Ensure all internal audit assignments and significant unplanned work will be the subject of formal reports aimed at enhancing systems of internal control and improving risk management. Draft reports will be sent directly to the managers responsible for the area under review for agreement as to the factual accuracy and to provide management responses to audit recommendations. Reports contain an assurance opinion for the area being audited. On occasion, Internal Audit may produce a Position Statement rather than a report where it is deemed more appropriate, for example where an auditable activity may constitute a 'work in progress'.
- Ensure that where there are factors which effect the delivery and finalisation of an audit assignment such as significant delays from Management in providing responses to audit recommendations/signing off reports, resistance in cooperating with the audit process and failing to provide information requested, the matter will be escalated in the first instance to both the Deputy Group Head of Corporate Governance and Section 151 Officer and depending on the outcome the Chief Executive and/or Chair of the Audit Committee will be alerted.
- Highlight to both the strategic Management Team and the Audit Committee any management response to risk issues/audit recommendations that are deemed unacceptable.
- Ensure significant risk exposures and control/governance issues that could impact effective achievement of the Council's corporate priorities and objectives (these may be identified by Audit or Management) are considered for inclusion in the Council's Corporate Risk Register and highlighted to both the strategic Management Team and the Audit Committee.
- As External Audit share internal audit's interest in the governance, risk and control environment, regular liaison meetings may be held to enable sharing of plans and findings. This will however be subject to any agreed approaches further to new Auditor appointments.
- Follow up Internal Audit Recommendations and report status of implementation (as advised by Managers) to the strategic Management Team and Audit Committee.

- Attend every formal meeting of the Audit Committee & Chair's Briefings. The Audit Committee are responsible for approving (but not directing) internal audit's strategy, plan and performance.
- Prepare reports and associated documentation on internal audit activities for presenting to the Audit Committee three times a year in accordance with the Committee work programme, covering five key outcomes/requirements set out under professional standards -PSIAS (Internal Audit risk based annual plan, Annual Audit Opinion, annual audit report, interim activity reporting, annual review of effectiveness of Internal Audit, and periodical review of the Audit Charter). As part of the wider remit of Internal Audit at Spelthorne, a further eight reports are currently produced (in responding to business need) and presented to the Audit Committee each year by the Internal Audit Manager (please refer to section 6 earlier).
- On an annual basis issue an evidence based independent audit opinion on the Council's internal control environment, risk management arrangements and governance framework, which forms part of the Annual Audit report and Annual Governance Statement. (See section 5 above also)
- Given the ongoing need to target finite audit resource to areas of greater risk and priority, audit will consider as part of its work and particularly during production of the annual audit plan the range and depth of assurance that is being provided from other assurance sources (internal and external). This may reduce duplication and refocus audit resources to provide greater independent assurance in other priority areas. Preparation of an overall assurance framework incorporating the three lines of defence is resource intensive and in line with best practice the strategic Management Team will be responsible for owning this framework and allocating resources to undertake the groundwork for this corporate task. Any such framework does need to be developed over time, subject to capacity, requiring input from various Services including Internal Audit.
- Undertake specific corporate responsibilities as mentioned under section 6.
- Annually review the internal audit service plan which outlines the areas of coverage, forthcoming activities, service risks and appetite in delivering objectives, as well as key performance data that will measure delivery of the service.

12. Professional Standards and Ethical conduct

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

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS, revised 2017), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations. The UK Public Sector Internal Audit Standards set out core principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness.

Auditors must also adhere to professional codes of conduct and relevant standards/principles/frameworks/ linked to their membership of professional bodies such as the Chartered Institute of Internal Auditors (CIIA) and the Certified Institute of Public Finance and Accountancy (CIPFA). This includes due consideration of ethical principles, such as the Chartered Institute of Internal Auditor's Code of Professional Conduct incorporating the Code of Ethics issued by the global body for internal auditing. The Institute's *Code of Ethics* provides principles and rules of conduct under four headings:

- Integrity
- Objectivity
- Confidentiality
- Competency

Due regard must also be given to the separate 2018 CIPFA Standard of Professional Practice (SOPP) on Ethics. All Auditors are required to sign up to these code of ethics on an annual basis. Internal Auditors will also have due regard to the Seven Nolan Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

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

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

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

13. Quality Assurance and Improvement Programme

The Internal Audit Manager will oversee the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance compliant with PSIAS is maintained. As part of demonstrating this compliance an annual review of the effectiveness of the system of Internal Audit is undertaken and reported to Audit Committee. In addition, an external quality assessment will be carried out once every five years by a suitably qualified, independent assessor. This was last undertaken during 2018/19 and it is envisaged that this will take place again during 2023. Any key findings and recommendations will be shared with the Management Team and Audit Committee.

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

Further consideration of a Quality Assurance Improvement Programme (QAIP) will be dependent on resources and capacity. In addition to the annual review of internal audit effectiveness already in place outlining the level of compliance against each of the audit principles supported with reference to examples, the QAIP is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

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

14. Audit Charter Sign Off

Audit Charter reviewed and updated by
Internal Audit Manager, Punita Talwar
October 2022

Signatures & Dates (To be inserted):

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

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

Chief Executive, Daniel Mouawad.....

Chair of the Audit Committee, Councillor Helen Harvey

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Appendix ~~21~~ – Track changes version of Internal Audit Charter – Spelthorne BC

~~1.4.~~ Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the mandatory UK Public Sector Internal Audit Standards (PSIAS updated 2017).

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

In PSIAS the ‘Head of Internal Audit’ role is referred to as the Chief Audit Executive. At Spelthorne there is no formally designated ‘Head of Internal Audit’. The Internal Audit Manager at Spelthorne represents the ‘Head of Internal Audit’ for the purpose of PSIAS and therefore as Chief Audit Executive is responsible for applying this Charter and keeping it up to date. The Charter shall be reviewed biennially (once every two years) and approved by MAT and the Audit Committee.

~~The latest CIPFA statement on ‘The Role of the Head of Internal Audit’ (published 2019) places greater emphasis on the organisations responsibility to support the role of internal audit in order to enable the function to effectively meet its expected professional standards. (See below) Therefore T~~the Strategic Management Team (comprises Chief Executive – Head of Paid Service, and two Deputy Chief Executives one of whom is the statutory Section 151 Officer), the Monitoring Officer and the Audit Committee are expected to familiarize themselves with their specific responsibilities in supporting the role of Internal Audit (note references in relevant CIPFA professional publications). The Terms of Reference for the Audit Committee also set out its specific responsibilities relating to Internal Audit.

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

2. Internal Audit Purpose and Mission

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

Internal Audit is defined in the PSIAS as:

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“An independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

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

3. Statutory Requirement

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

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

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

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

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

4. Access and Authority

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

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

As are considered necessary by those officers conducting the audit.

The scope of Internal Audit's remit includes the organisation's entire control environment and the Audit Committee authorises the internal audit department to have free and unrestricted access to all functions, records, ~~and~~ assets and premises deemed necessary by auditors in the course of internal audit work. Internal Audit will give due regard to confidentiality and safeguarding in securing such records. In addition, Internal Audit will have unrestricted access to the Audit Committee, Chief Executive, Deputy Chief Executives, Members of the Council and all employees of the authority.

PSIAS also recommends that the Chief Audit Executive holds independent meetings with the Chair of the Audit Committee at least once a year (this has been referred to in the annual effectiveness review of Internal Audit, reported to Audit Committee in ~~November 2018~~ July 2022). This ~~is being~~ will be arranged with the new Audit Committee ~~Chairman~~ at appropriate intervals.

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

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

5. Internal Audit Responsibilities and Scope

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

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

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

outcome of internal audit activity and represents a key assurance statement for the Council.

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

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

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

6. Independence and Positioning

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

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

- The Internal Audit Managers position in the overall management structure of the Council should have sufficient status and be of appropriate seniority in order to ensure that audit plans, reports and action plans are discussed effectively with both the Audit Committee and the strategic management team.
- It is important that the Internal Audit function is not placed hierarchically under parts of the organisation that are themselves subject to internal audit scrutiny. From February 2020, At Spelthorne the Internal Audit Manager reports directly to the Group Head of Corporate Governance. Independence is preserved through a dotted reporting line to the Section 151 Officer (Deputy Chief Executive) who is part of the strategic management team, with as well as a dotted line to the Chief Executive. This reporting is reflected in the organisational structure chart. The Internal Audit Manager also has a functional reporting relationship to the Audit Committee Chair as a non-executive board member.
- Internal Audit has freedom to reports in its own name and without fear of favour to, all officers and Members, with direct and unrestricted access to the Section 151 Officer, Chief Executive, Strategic Management Team and Audit Committee.

- The Internal Audit Manager's remuneration and performance appraisal ~~is~~ should not ~~be~~ inappropriately influenced by those subject to audit.
- Audit Committee approves (but does not direct) the Charter and Internal Audit Plan, being kept regularly informed of Internal Audit activities (see earlier reference to section on access and authority).
- Internal Audit recommendations including implementation status are reported to Audit Committee periodically.
- Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal Audit is segregated from operational responsibilities and every effort will be made to preserve objectivity by ensuring that Internal Audit staff do not undertake any non-audit duties, ~~with the exception of~~ the following corporate tasks/responsibilities undertaken by the Internal Audit Manager:

(i) Corporate Risk management. Actively facilitate the Council's Corporate Risk Register to identify, assess and monitor the most significant strategic risks that may impact the effective delivery of the Council's corporate priorities. Co-ordination of the Council's Corporate Risk Register. This includesing periodical reporting to Audit Committee, as well as Corporate Policy and Resources Committee. In promoting collective ownership of strategic risks, liaison with the Committees team to ensure Service Committees are informed of the Corporate Risk Register and Cabinet (3 times a year);

- (ii) Ongoing development of risk management, enhancing the Council's overall level of risk maturity. This includes refreshing the risk management policy, raising awareness through training and promoting the Council's adoption of a risk appetite framework to further strengthen transparent and consistent decision making.
- (iii) Oversight of High-risk public fraud - Collaborative working with internal teams and Service Provider in pursuing counter fraud measures and new initiatives, focussing on areas where the occurrences and ongoing risk of public fraud remains high, such as Housing, Business Rates, Council Tax and Benefits. Targeting counter fraud activity generating greater financial returns and wider community benefits. Continued awareness raising alongside Service Provider across relevant teams around proactive fraud drives, preventative and reactive counter fraud measures in implementing the strategy. Collating, analysing, monitoring and reporting quantified fraud savings generated/fraud losses prevented or stopped, based on central government estimated savings to the public purse, as well as cashable savings to the authority. collating and monitoring counter fraud returns/pursuing collaborative working arrangements with Partners for fraud referrals; promoting and encouraging counter fraud measures across the authority.
- (iv) Annual review and reporting of the Anti-Counter Fraud, Bribery and Corruption Strategy

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

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

Appropriate arrangements will be put in place to safeguard the independence of Internal Audit and avoid conflicts of interest where it is involved in duties that fall outside the key primary objective assurance role. Internal Audit are not in a position to undertake cross cutting assurance reviews of either the corporate risk management process or Counter Fraud (high risk public fraud), due to its significant role in both of these organisational areas. It is the responsibility of the Council to arrange alternative approaches for seeking assurance on these areas.

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

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

Should at any time any threats to objectivity be identified at any level (Auditor/organisationally/functionally), these will need to be managed and reported as appropriate.

7. Reporting Lines

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

-

- ~~The Internal Audit Manager reports directly to the Section 151 Officer (Deputy Chief Executive). The Internal Audit Manager reports directly to the Group Head of Corporate Governance, and has a dotted reporting line to both the Section 151 Officer and Chief Executive. This is set out in the organisational structure chart.~~
- ~~Regardless of line management arrangements, the Internal Audit Manager has free and unfettered access to report to the Section 151 Officer, the~~
- ~~Chief Executive; Strategic Management Team; the Audit Committee Chairman; the Leader of the Council and the Council's External Auditor;~~
- ~~Audit final reports are issued to the relevant Group Head/Lead Manager with whom the audit has been undertaken, as well as being circulated to the strategic Management Team and the Group Head of Corporate Governance.~~
- ~~Audit draft reports are circulated to the Section 151 Officer (Deputy Chief Executive who is also part of the Strategic Management team);~~
- ~~Audit final reports are circulated to the Strategic Management Team;~~
- The Audit Committee receives reports three times a year on internal audit activity, including audit recommendations on planned assurance work and status monitoring.

8. Engagement and Communication

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

All Group Heads and Managers are consulted in detail as part of the annual audit planning process which feeds into defining the audit need.

~~To help in supporting services to develop greater understanding of the role of audit and have a point of contact in relation to any support they may need on risk, governance and control issues (both at a corporate and service level), the Internal Audit offers advice and insight focussing on medium to higher risk areas. These may incorporate emerging risks within service areas. priority areas. Such measures represent 'added value' in terms of the audit role beyond the core planned assurance work. Where the level of such added value work starts to increase, the Internal Audit Manager will consider any impact on its work plan.~~

~~At an individual audit assignment level, engagement commences at the outset and this includes the planning and scoping stage articulated through the Terms of Reference. Throughout the assignment communications take place with Managers including discussion of findings and recommendations aimed to strengthen internal control and management of risk, and thereby organisational improvement. We may consider further scope to introduce a post-audit completion feedback survey from auditees.~~

~~Manager will attend either MAT Plus or DMT meetings (as appropriate) quarterly to provide senior management with an opportunity to discuss~~

~~emerging risks and key developments within their service areas. This may help towards embedding a risk management culture across the Council. Internal audit will consider any impact on its work plan, offering advice and/or insight focussing on priority areas. Such measures represent 'added value' in terms of the audit role beyond the core planned assurance work.~~

9. Fraud, Bribery & Corruption

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

Internal Audit will however be alert in all its work to risks and exposures that could enhance opportunities for fraud, bribery or corruption, and where necessary will advise if internal controls could be strengthened.

The Section 151 Officer and Internal Audit Manager should be informed immediately of all suspected or detected fraud, bribery, corruption, impropriety or irregularity. The importance of raising concerns of this nature (as well as several other concerns) forms part of the Council's Confidential Reporting Code (Whistleblowing Policy) owned by the Group Head of Corporate Governance.

Internal Audit will consider the adequacy of the relevant control framework, recommend improvements to strengthen controls to minimise future fraud risks, and evaluate the implication for their annual opinion on the control environment.

~~Internal Audit will investigate allegations of fraud in line with the Council's Anti-Fraud, Bribery and Corruption Strategy. T~~here may be a requirement to bring in Investigators to lead or assist Special investigations (relating to suspected internal fraud or irregularity) as there is insufficient capacity within the Internal Audit team to undertake the whole process, particularly given that investigations are often by their nature very resource intensive. Furthermore, this approach can provide access to specialist expertise including Financial Investigator resources and Forensic Analysts, contributing to a more successful outcome. Discretion and confidentiality will be applied throughout the process.

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

The Council's Monitoring Officer (Group Head of Corporate Governance) is responsible for investigating allegations of bribery and corruption, where this has implications for the Member Code of Conduct.

Internal Audit together with the Group Head of Corporate Governance and strategic management team will promote a Counter n-anti-fraud, bribery and corruption culture within the Council to aid the prevention and detection of fraud, bribery and corruption. This will be achieved through ~~continued~~ annual review of the Anti-Counter Fraud, Bribery and Corruption Strategy, ~~and refresher periodical refresher~~ counter fraud training /awareness raising and continued promotion of measures to target high risk public fraud (see earlier section 6).

10. Resources and Competencies

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

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

Internal Audit Manager (.75 FTE)

Senior Internal Auditor (1 FTE)

Externally contracted audit resources are deployed within budget to supplement the internal audit team.

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

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

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

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

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

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

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

- ~~The skills and competencies for each level of auditor are defined in job descriptions and person specifications that are all approved through the Council's formal processes. These are reviewed and updated as necessary for example when recruiting for new Auditors or if there have been significant changes to responsibilities.~~
- ~~The Internal Audit Manager has produced an Auditor skills and competency framework for all team members to self-assess against the criteria. This mechanism can be used to identify any training or personal development needs.~~
- Internal Auditors have access to an Internal Audit Manual setting out operational standards and processes, subject to periodical review.
- Each audit review is overseen by the Internal Audit Manager at key stages to ensure appropriate supervision and direction, taking into account the level of Auditor experience/skills/qualification. This includes a ~~robust~~ quality assurance review process on completion of the work.
- ~~As part of the Council's Continuous Performance Annual performance appraisal~~ review process, quarterly meetings ~~s~~ and periodical-weekly one to one's are undertaken for ~~all~~ staff. Auditor training and personal development/qualification needs are identified through this process.
- ~~Competency matrices are being further developed for all Internal Audit staff.~~

11. Audit Approach and Service Delivery

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

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

- Prepare an annual risk-based Internal Audit Plan which aligns to the organisation's corporate priorities/strategic objectives and will support the annual internal audit opinion, for formal approval by Management Team and Audit Committee. The plan will set out planned assurance assignments and other types of work, prioritised ~~as appropriate~~ and allowing for some flexibility to take into account changing risk priorities/emerging risk areas. The methodology applied in determining the audit need and audit plan is set out in the annual plan report which refers to the audit universe (all auditable areas), to Management Team and the Audit Committee.~~The plan also incorporates several other categories of identified work including statutory reporting requirements and Audit Committee, Audit Support, high level oversight on Counter Fraud, Corporate Risk Management, and development.~~
- Ensure effective delivery of planned audit reviews including scope determination, consideration of relevant risks (not just financial risks), and application of techniques required to accomplish audit objectives and offering appropriate steer and guidance to assigned Auditors.
- Ensure a system of supervision of internal audit work, giving due regard to compliance with risk-based audit methodologies ~~audit processes and methodologies~~ when performing engagements (identify/analyse/evaluate/document information) in delivering audit objectives. Where necessary evaluations will be further substantiated through testing and verification with, which support test results and audit conclusions all evidenced through sufficient working papers. ~~Robust~~ Quality assurance and review of all audits are undertaken prior to issue of draft and final reports.
- Ensure all internal audit assignments and significant unplanned work will be the subject of formal reports aimed at enhancing systems of internal control and improving risk management. Draft reports will be sent directly to the managers responsible for the area under review for agreement as to the factual accuracy of findings and to provide management responses to audit recommendations. Reports contain an assurance opinion for the area being audited. On occasion, Internal Audit may produce a Position Statement rather than a report where it is deemed more appropriate to do so, for example where an auditable activity may constitute a 'work in progress'.
- Ensure that where there are factors which effect the delivery of an audit assignment such as significant delays from Management in providing responses to audit recommendations or signing off reports to enable formal issue and circulation, resistance in cooperating with the audit process and failing to providing information requested, the matter will be escalated in the first instance to both the Deputy Group Head of Corporate

Governance and Section 151 Officer and depending on the outcome the Chief Executive and/or Chair of the Audit Committee will be alerted.

- Highlight to both the strategic management team and the Audit Committee any management response to risk issues/audit recommendations that are deemed unacceptable.
- Ensure significant risk exposures and control/governance issues that could impact effective achievement of the Council's corporate priorities and objectives issues including fraud risks and governance issues objectives (these may be identified by Audit or Management) are considered for inclusion in the Council's Corporate Risk Register and highlighted to both the strategic management team and the Audit Committee.
- As External Audit share internal audit's interest in the governance, risk and control environment, regular liaison meetings ~~will~~ may be held to enable sharing of plans and findings. This will however be subject to any agreed approaches further to new Auditor appointments. to enable sharing of plans and findings. External Audit also attend every meeting of the Audit Committee.
- Follow up Internal Audit Recommendations and report status of implementation (as advised by Managers) to the strategic management team and Audit Committee.
- Attend every formal meeting of the Audit Committee & ~~pre-Chair's Briefings, briefs and at these meetings agenda planning is discussed.~~ The Audit Committee are responsible for approving (but not directing) internal audit's strategy, plan and performance.
- Prepare reports and associated documentation on internal audit activities for the Audit Committee three times a year in accordance with the Committee work programme, covering five key outcomes/requirements set out under professional standards -PSIAS (Internal Audit risk based annual plan, Annual Audit Opinion, annual audit report, interim activity reporting, annual review of effectiveness of Internal Audit, and periodical review of the Audit Charter). As part of the wider remit of Internal Audit at Spelthorne, a further eight reports are currently produced (in responding to business need) and presented to the Audit Committee each year by the Internal Audit Manager (please refer to section 6 earlier), including quality improvement measures as ascertained from effectiveness reviews (relating to the audit function) for presentation to the Audit Committee (3 times a year/9 reports). ~~The Audit Committee are responsible for approving (but not directing) internal audit's strategy, plan and performance.~~
- On an annual basis issue an evidence based independent audit opinion on the Council's internal control environment, risk management arrangements and governance framework, which forms part of the Annual Audit report and Annual Governance Statement. (See section 5 above also)
- Given the ongoing need to target finite audit resource to areas of greater risk and priority ~~limited audit resource available~~, audit will consider as part of its work and particularly during production of the annual audit plan the

range and depth of assurance that is being provided from other assurance sources (internal and external). This ~~should also help to may~~ reduce duplication and ~~free up refocus~~ audit resources to provide greater independent assurance in other priority areas. Preparation of an overall assurance framework incorporating the three lines of defence is resource intensive and in line with best practice the strategic management team will be responsible for owning this framework and allocating resources to undertake the groundwork for this corporate task. Any such framework does need to be developed over time, subject to capacity, requiring input from various Services including Internal Audit.

- Undertake specific corporate responsibilities as mentioned earlier under section 6.
- ~~Periodica~~Annually review the internal audit service plan which outlines the areas of coverage, forthcoming activities, service risks and appetite in delivering objectives, as well as key performance data that will measure delivery of the service.

12. Professional Standards and Ethical conduct

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

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS, revised ~~April 2017~~6), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations. The UK Public Sector Internal Audit Standards set out core principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness.

Auditors must also adhere to professional codes of conduct and relevant standards/principles/frameworks/ linked to their membership of professional bodies such as the Chartered Institute of Internal Auditors (CIIA) and the Certified Institute of Public Finance and Accountancy (CIPFA). This includes due consideration of ethical principles, such as ~~the 2018 CIPFA Standard of Professional Practice (SOPP) on Ethics and~~ the Chartered Institute of Internal Auditor's Code of Professional Conduct incorporating the ~~Global~~ Code of Ethics issued by the global body for internal auditing body, The Institute's Code of Ethics provides principles and rules of conduct under four headings:

- Integrity
- Objectivity
- Confidentiality

- Competency

Due regard must also be given to the separate 2018 CIPFA Standard of Professional Practice (SOPP) on Ethics. All Auditors are required to sign up to these code of ethics on an annual basis.

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

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

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

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

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

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

13. Quality Assurance and Improvement Programme

The Internal Audit Manager will oversee the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance compliant with PSIAS is maintained. As part of demonstrating this compliance an annual review of the effectiveness of the system of Internal Audit is undertaken and reported to Audit Committee. In addition an external quality assessment will be carried out once every five years by a suitably qualified, independent assessor. This was last undertaken during 2018/19 and it is envisaged that this will take place again during 2023. Any key findings will be shared with the Management Team and Audit Committee. areas of good practice identified from the review were highlighted to the Audit Committee, together with a few improvement actions.

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

Further consideration of a Quality Assurance Improvement Programme (QAIP) ~~is to be developed further in 2019/20~~ will be dependant on resources and capacity. In addition to the annual review of internal audit effectiveness already in place outlining the level of compliance against each of the audit principles supported with reference to examples, the QAIP which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

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

Audit Charter reviewed and updated by
Internal Audit Manager
Punita Talwar
~~June 2019~~
October 2022

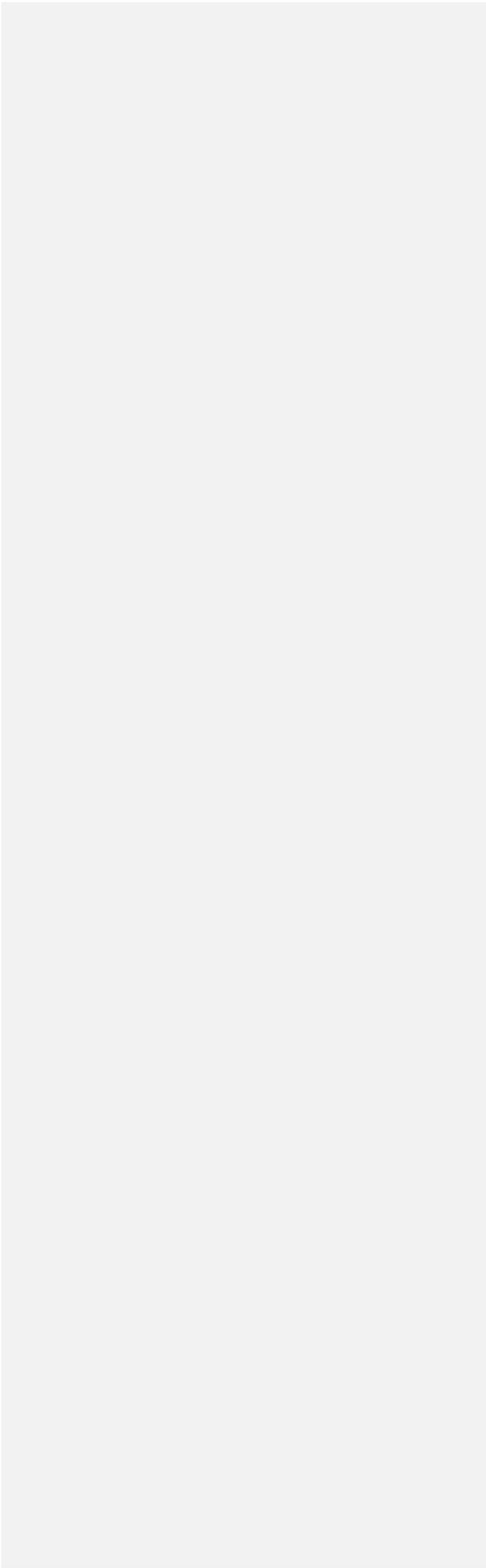
Signatures & Dates:

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

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

Chief Executive, Daniel Mouawad.....

Chair of the Audit Committee, Councillor ~~Joanne Sexton~~ Helen Harvey
.....



Audit Committee

24 November 2022



Title	Corporate Risk Management
Purpose of the report	To make a recommendation to Corporate Policy and Resources Committee/Council
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	The Corporate Risk Register outlines significant strategic risks impacting the effective delivery of all corporate priorities (CARES). Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to: The Audit Committee is asked to: 1.Consider the significant strategic risks and issues highlighted in this report and present these to the Corporate Policy and Resources Committee, ensuring continued wider reporting of the Corporate Risk Register and Risk Action Plan across other Committees.
Reason for Recommendation	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. 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.

1. Summary of the report

- 1.1 This report seeks to highlight significant strategic risks in delivering the Council priorities (CARES) and objectives, current actions to manage risks (these are defined as current control actions and current mitigating actions) as well as any further mitigation measures underway set out in the separate Risk Action Plan.
- 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.
- 1.3 As part of ongoing development work, the format and presentation of the Corporate Risk Register has been refreshed again with a view to making the content more visually appealing.
- 1.4 In response to comments raised by Corporate Policy and Resources Committee on 27 September, we are trialling a new approach which:
 - Introduces a numerical risk score (likelihood of risk occurrence x impact of risk should the risk event occur) for each broad risk category;
 - Provides a direction of travel for both the RAG status (i.e. assessed level of risk as plotted on the risk matrix at Appendix A), and numerical risk score.
 - In addition, an indicative future RAG status and indicative future risk score are being communicated. Section 2 below explains this new approach in more detail.

2. Key issues

- 2.1 In response to comments raised by Corporate policy and resources Committee on 27 September, we are trialling a new approach which introduces a risk score (likelihood of risk occurrence x impact of risk should the risk event occur) for each broad risk category, provides a direction of travel by referring to both the previous and current Red/Amber/green (RAG) rating, as well as previous and current risk score. Risks continue to be assessed as before taking account of current controls and current mitigations in place as this approach reflects the Council's risk management policy requirements and good practice. We have however broadened our approach, again taking on board Member feedback, and as part of this review introduce (trial) an indicative RAG status and indicative risk score to provide greater insight based on a future situation/scenario where all additional mitigating actions set out in the Risk Action Plan have been fully implemented by Risk Owners and Lead Officers. We welcome any further discussions from Members of the Audit Committee; however, this demonstrates how the Council's reporting of the Corporate Risk Register continues to evolve and develop.
- 2.2 The corporate management team and lead Committee hold collective ownership and accountability for ensuring these strategic corporate risks are effectively managed. In promoting greater visibility and ownership of the

significant risks, the Committees team will ensure the register pack and key messages conveyed by the Internal Audit Manager are shared with Committee Chairs and Vice-Chairs as part of every reporting cycle, further to initial consideration by the Audit Committee.

- 2.3 The revised corporate risk register is set out at Appendix A and the Risk Action Plan at Appendix B.
- 2.4 Several risks on the corporate risk register continue to be significantly influenced by external factors, due to the economic crisis and macroeconomic environment (elevated inflationary pressures, increased rates of borrowing, high energy/fuel/food prices and the Cost-of-Living strain, likely recession) as well as the ongoing geopolitical uncertainty arising from the Ukraine crisis and China/US relations. 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. Given all of this, it is important to recognise there are no simple fixes or solutions to many of the complex risks identified on the Council's Corporate Risk Register. A separate report on the impact and implications of wider externalities for the Council and its communities is also on the agenda for the November Audit Committee and currently remains a standing agenda item.
- 2.5 The Council endeavours to pursue local measures with a view to alleviating some of these significant externally driven risks and challenges (see para 2.4 above) whilst recognising the limitations, as well as progressing activities that may provide a more favourable opportunity to positively control.
- 2.6 The Council's most significant strategic risks to highlight are the risk categories that continue to be assessed as a red RAG rating (see Appendix A). This includes risk categories 1A (Housing – Development Targets), 1B (Housing – affordable provision), 4 (Finance and Communities) and 7 (Corporate Capacity/Resources/ Recruitment and Retention). Nonetheless it must be acknowledged that the nature of all risks on the Corporate Risk Register are significant due to their strategic impact on corporate priorities and therefore continued visibility and recognition remains important.
- 2.7 The register at Appendix A provides detailed information across all risk categories including current controls and current mitigations to alleviate and manage identified risks. The corresponding risk action plan attached at Appendix B highlights completed actions (green section), as well as 'work in progress' (white section) and 'continuous actions' (blue section). Two new actions have been added to the risk action plan as part of this review across sections 5 (Treasury Management – borrowing strategy) and 8 (Equality, Diversity and Inclusivity - strategy).
- 2.8 Key risks, issues and developments to highlight as part of the latest review of the Corporate Risk Register are set out below at 2.8 (a) to 2.8 (g).

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

RAG rating (assessed risk level) retained as red (July) and (Nov)

Risk Score retained as 12 (July) and (Nov)

Any further movements in Direction of Travel after considering further mitigation set out in the Risk Action Plan? No – Maintained numerical risk score and RAG status

Viability assessments for property development schemes are being regularly updated to take account of accelerating costs arising from significant increases to interest rates (cost of borrowing) and construction inflation to determine ongoing financial viability. If schemes are no longer considered financially viable, this will significantly impact achievement of development targets, delivery of the Council's Housing programme via Knowle Green Estates (KGE) and both affordable, key worker and non-affordable housing provision, impacting local communities and adding further pressure to Council services. Considering these challenges, several new mitigating actions such as grant funding are being explored in terms of options for reducing the amount of borrowing required to fund the Housing Delivery programme, and these will form part of a Paper going to Corporate Policy and Resources Committee on 28 November 2022. The detailed risk register at Appendix 1 provides more detail on the range of options proposed .

(B) Housing – Affordable – risk category 1b

RAG rating (assessed risk level) retained as red (July) and (Nov)

Risk Score retained as 12 (July) and (Nov)

Any further movements in Direction of Travel after considering further mitigation set out in the Risk Action Plan? No – Maintained numerical risk score and RAG status

Please refer to the issues highlighted at 2.7 (B) above as they are relevant for this section. In particular the £35m Property Acquisition scheme to purchase and manage readymade properties through Knowle Green Estates (KGE) in addressing housing need has been significantly impacted by increased borrowing rates. The Council is therefore discussing with Homes England potential for some grant support towards funding this scheme.

A new risk under this category relates to pressure from neighboring and London authorities placing households in the borough, often without the Councils' knowledge. This will lead to further reduction in Housing supply for local communities. The Housing Team have written to other Councils reminding them of their legal obligation to notify where placing households in the borough, but this will not necessarily reduce the likelihood of occurrence of such placements as the Council has no powers to prevent this.

A further new risk under this category relates to the Cost of Living crisis and rising interest rates, adding increased pressure to homeowners and landlords in repayment of mortgages as variable rates spiral. This may lead to landlords increasing rental charges presenting more homelessness cases (if rents cannot be afforded) with increased demand for social housing.

As part of managing the Council's housing register levels, a re-registration process will take place this winter in accordance with the new terms of the revised Allocation Policy to promote greater efficiency in the process.

(C) Economy –risk category 2

RAG rating (assessed risk level) moved from red (July) to amber (Nov)

Risk Score moved from 12 (July) to 9 (Nov)

Any further movements in Direction of Travel after considering further mitigation set out in the Risk Action Plan? No – Maintained numerical risk score and RAG status

The refreshed economic risks set out in the register including the macroeconomic environment, elevated inflationary pressures, Cost-of-Living crisis, increased borrowing costs and market volatility continue to have a significant impact on Council operations, revenue streams and finances. There is of course the potential for increased level of business failures as a result of wider economic instability and the need to pass on increased costs to the consumer. This impacts economic prosperity of the borough and affects collections rates for business rate income, with reduced levels impacting finances and services available.

Whilst Council actions aim to support businesses and the local economy, these actions alone can only have a limited impact due to the overarching effects and long term uncertainty of the macroeconomic environment, market volatility and geo political factors over which the Council has incredibly little influence. The economic climate in terms of recession adds greater challenge and pressure going forward.

Whilst the national economic picture remains bleak, the measures that the Economic Development team have taken to influence Spelthorne's position in areas that the authority can exert some control and therefore to mitigate the impact on the borough has led to the overall assessed level of risk in this section as being currently rated as amber.

There are several controls and mitigation measures in place and being progressed. The final draft of the Economic Prosperity strategy (2023 – 2028) was considered by the Economic Development committee on 29 September 2022 and will go back to Committee on 12 January 2023 for final adoption. The strategy incorporates a detailed action plan detailing performance management measures in anticipating outcomes. Other measures include a Shared Prosperity Fund Investment Plan submitted to government in August 2022 highlighting local priorities and projects to assist with economic regeneration, a Town Centre strategy, and accelerated progression of the Shared Prosperity Fund scheme. In addition there have been several measures to improve resilience, support and training for local businesses, as well as promoting accessibility into employment. There is also fortnightly monitoring of Business Rates and Council Tax collection rates as part of monitoring the effect of current pressures such as the Cost-of-Living crisis on the collection fund.

(D) Finance and Communities – risk category 4

RAG rating (assessed risk level) retained as red (July) and (Nov)

Risk Score retained as 12 (July) and (Nov)

Any further movements in Direction of Travel after considering further mitigation set out in the Risk Action Plan? No – Maintained numerical risk score and RAG status

The risks set out in this section including the impact of the macroeconomic environment, elevated inflationary pressures, Cost-of-Living crisis, significantly increased PWLB borrowing costs, market volatility and geopolitical factors continue to have a significant impact on the Council's budgetary position and finances, with the potential for adverse effects in delivering sustainable services to communities. This coincides with greater demands placed on Councils Services as the significant financial constraints being felt across local businesses, communities and households continue to accelerate need for greater support from the Council.

We have previously reported measures being taken to reduce the budget deficit such as the Inflationary pressure contingency reserve to assist with the predicted budget deficit. In addition the Cashable Savings working group has already highlighted efficiency savings for the authority.

The Outline Budget report will provide updated medium term budget projections and set out options for refreshed medium term financial strategy. This to be considered alongside the refreshed Reserves Strategy.

(E) Sustainability and Climate Change

RAG rating (assessed risk level) moved from red (July) to amber (Nov)

Risk Score moved from 12 (July) to 9 (Nov)

Any further movements in Direction of Travel after considering further mitigation set out in the Risk Action Plan? No – Maintained numerical risk score and RAG status

There are several positive developments including completion of an action plan to move the Council towards net zero carbon emissions and commencement of training to raise awareness of climate change in promoting the need to adapt to change with further necessary rollout planned over the next year. Surrey County Council have finalised a strategy for tackling Climate Change – Greener Futures Delivery Plan, for application and consideration across boroughs and districts.

(F) Corporate Capacity, Resources, Recruitment and Retention

RAG rating (assessed risk level) retained as red (July) and (Nov)

Risk Score retained as 12 (July) and (Nov)

Any further movements in Direction of Travel after considering further mitigation set out in the Risk Action Plan? No – Maintained numerical risk score and RAG status

There are no key developments to report for this section. The significant risks prevail as we continue to face a challenging recruitment market and ongoing pressures on capacity across services, with those implications and adverse effects having been reported in extensive detail as part of the July reporting cycle (please refer to previous report).

(G) New risk categories – Risk Category 8 (Equality, Diversity and Inclusivity) & Risk Category 9 – Local government collaborative arrangements

Two new risk categories including relevant risks have been introduced and included as part of this review of the register. Please refer to risk categories 8 and 9 on the register for current controls and current mitigations. An action relating to producing an Equality, Diversity and Inclusivity strategy for the Council has been included in the Risk Action Plan, with a view to complementing current practices by enabling a more robust approach to delivering and embedding essential principles, standards and requirements in promoting equal opportunities, diversity and inclusivity. This should be considered in the context of the Council's values and behavioral framework. As a first step the Council have set out a Statement of Intent and produced equality and diversity objectives.

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 consultation with Managers and assessment of risk and controls in operation. Option 1 - To consider the contents of the Corporate Risk Register including any new or expanded risk categories, residual risks highlighted, current control actions, current mitigating actions and further mitigating actions set out in the Risk Action Plan 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 effective delivery of corporate priorities and objectives, (preferred option); or
- 3.2 Option 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 corporate risk categories discussed under section 2.5 above (1a, 1b, 2 and 4). Unless the Council addresses these issues, the Council will not be able to meet its statutory obligations or effectively deliver corporate priorities given the ongoing major inflationary pressures, increased cost of borrowing and significant adverse costs being generated from major development schemes and likely to worsen. Whilst many of the current challenges are influenced by wider externalities, some of the local measures being explored by the Council are highlighted under para 2.8.

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 current mitigation measures in place to manage these risks. Current controls are those actions intended to reduce the likelihood of occurrence of the risk event, whilst current mitigations are those actions intended to reduce the impact of a risk event should it occur. Taken together, current controls and

current mitigating actions represent ways of managing risk, but we have continued to differentiate the terminology for purposes of clarity in response to previous direction from the Audit Committee in March 2022. A risk action plan is set out at Appendix B, ensuring a mechanism to capture risk related SMART actions and assign a lead officer with target dates to monitor their progress in further alleviating the identified risks. We will continue to consider over the course of time the robustness of SMART actions in response to comments at CPRC on 27 September, however to reiterate commentary under para 2.4 above, there are no simple fixes or solutions to many of the complex risks identified on the Council's Corporate Risk Register.

6. Procurement considerations

- 6.1 Any procurement considerations relating to the risk categories on the register should be identified by the respective Risk Owners and lead officers and are likely to form part of separate reporting/communications.

7. Legal considerations

- 7.1 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.

8. Other considerations

- 8.1 As previously reported, as part of the forthcoming LGA Corporate Peer review taking place in November 2022, this process will provide continued direction and insight in supporting the Council to address its significant strategic risks, considering overlapping themes around sustainability, developments, housing, supporting communities and finances.

9. Equality and Diversity

- 9.1 In response to discussions at the July Audit Committee meeting the register now incorporates Equality, Diversity and Inclusivity as a specific strategic risk category and sets out current controls and current mitigation measures in place, as well as any further risk mitigating actions for perusal (risk action plan).

10. Sustainability/Climate Change Implications

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

11. Timetable for implementation

- 11.1 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.

12. Contact

- 12.1 Internal Audit Manager, Punita Talwar. P.talwar@spelthorne.gov.uk
01784 446454

12.2 Please also refer to contact names provided for Risk owners/accountable officers as well as lead Officers who hold responsibility for implementing systems of internal control and mitigating actions to manage and alleviate the risks identified against each broad risk category.

Background papers: There are none.

Appendices:

Appendix A – Corporate Risk Register – this includes (i) level of assessed risk i.e. Red/Amber/Green - RAG status of each risk category (ii) Numerical Risk scores – likelihood x impact

Appendix B – Risk Action Plan

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APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Scoring Matrix(Plotted November 2022 for current RAG rating and current risk score in consultation with Officers)

This is the matrix that forms part of the risk management policy. We currently assess the level of each risk category by plotting them on this matrix to provide a traffic light RAG rating. We also determine a numerical risk score by multiplying likelihood and impact scores. Please also refer to the next page for further detail on the approach and criteria applied.

When assessing the Council's risks in terms of likelihood and impact, we take into account the national and global picture for wider externalities such as the macroeconomic environment and geopolitical factors. Spelthorne's operations remain influenced by these external challenges and pressures, as is the case for other Councils. Due to these externalities, there are many activities that the Council cannot directly control/mitigate or influence and continued recognition is important.

Red risks require prompt, planned management action **Amber** risks require planned management action **Green** risks are accepted risks

RC = Risk category on the detailed register e.g., RC2 = Risk Category 2 – Economy.

IMPACT	4 (Catastrophic)				
	3 (Major)			RC2 RC3 RC5 RC6 RC8 RC9	RC1a RC1b RC4 RC7
	2 (Medium)				
	1 (Trivial)				
		1 (Rare)	2 (Unlikely)	3 (Likely)	4 (Almost certain)
		Likelihood			

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

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APPENDIX A Corporate Risk Register - Spelthorne Borough Council

How risks are scored:

We assess and score risks, with their current controls and current mitigations 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. We then plot the risk on the risk matrix model shown on the prior page to provide a RAG rating, to determine and prioritise the most significant risks for action. The risk action plan (refer to separate document) sets out how the authority is working towards further addressing and mitigating the risks.

KEY TO TERMINOLOGY (SEE RISK REGISTER BELOW)

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

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Risk Category 1a - Housing – Development and Targets

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 1a
Supporting Communities Affordable Housing Service Delivery	Management Team CPRC - Development Sub-Committee	Group Head Assets (in the interim Deputy CX, Lee O'Neil) Group Head Regeneration and Growth (Heather Morgan) Deputy Chief Executive (Terry Collier)

Risk Descriptions

1a (i) The delays in decisions, which occurred due to a number of factors, appear to have been a key contributory cause in schemes not taking off/progressing, leading to rising overall costs, and risk of adverse financial position of the Council. **The risk of adverse impact from past delay and any further delay has now increased in the context of rising interest rates and significant construction inflation.**

1a (ii) Significantly increased interest rates from the Public Works Loan Board (PWLB) and rising inflationary pressures continue to significantly affect the financial viability of each project going forward, which could further impact delivery of housing schemes and development targets (both affordable and general housing).

1a (iii) Market volatility including exchange rate fluctuations are further exacerbating frequent uplift of scheme prices and costs (such as materials / fuel / transportation / labour) leading to delays in finalising contracts and necessitating new approaches to contract management such as open booking accounting. This may provide greater uncertainty in terms of longer-term contract costs and budgetary impact but will enable fair value to be demonstrated.

1a (iv) If overall direction for Knowle Green Estates (KGE) were to become unclear in the provision of the Council's Housing delivery programme this would present risks of failing to meet wider housing needs within the borough (beyond affordable housing), impacting effective delivery of housing development targets and increased payments to 3rd party landlords.

*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
Approved timetable for adoption of Local Plan	Annual Housing Delivery Test Action Plan

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Viability assessments for development schemes required to take account of accelerating costs to determine ongoing financial viability	Annual Planning Performance report
Exploring alternative options and funding opportunities in supporting delivery of development schemes (such as Grant funding)	Financial monitoring and reporting; quantifying the impact of delayed property schemes on the Council's budgetary position as well as outlining mitigating actions moving forward
Weekly progress reporting of Property Development projects to officer Development Investment Group (DIG)	<p>Exploring and reviewing options for reducing amount of borrowing required to fund the Housing Delivery programme. Options being explored set out below:</p> <ul style="list-style-type: none"> i) Exploring grant funding options to fund part of the residential developments – a positive initial meeting with Homes England on 07 October 2022. Also exploring with One Public Estate future potential of Brownfield Release grant funding and BEIS green energy grants. ii) Changing the tenure mix of residential schemes to include element of sales of units (reducing the amount of long-term borrowing required) iii) Reviewing with Treasury Management advisors borrowing strategy iv) Bringing forward to November 2022 capitalisation proposals for KGE along with blended mix of the above as to how the Council can facilitate transfer of completed residential schemes at a cost which is financially viable for KGE <p>Above to be covered in a report going to an Extraordinary Council Meeting in January 2023.</p>
Bi-monthly Assets Portfolio Working Group (with Chair and Vice of both CPRC and Development Sub-Committee)	
Regular advisory reports to relevant Committee regarding status of schemes, to inform decision making	CPRC agreed an Appropriation policy for treating any long-term surpluses generated by KGE
CPRC policy steer regarding options for repatriating surplus funds from KGE over the long term; KGE annual report to CPRC; established policies and framework.	On 28 November 2022 CPRC will receive KGE annual report. Options for the Council's capital programme sustainability and the KGE business plan for the next 5 years are to be discussed at a future Extraordinary Council meeting anticipated in January 2023.

Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
		12	12

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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the indicative/additional indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (At Nov 2022)	Direction of Travel After considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
12	Maintained risk score and RAG status

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 1b - Housing – Affordable

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 1b
Supporting Communities Affordable Housing Service Delivery	Management Team Community Wellbeing & Housing	Group Head Community Wellbeing (Karen Sinclair)

Risk Descriptions

1b (i) Lack of affordable housing supply increases homelessness
 1b (ii) Housing provision (types of units) does not meet local resident needs or address client special needs for accommodation
 1b (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)
 1b (iv) The ongoing conflict in Ukraine and refugee situation presents additional pressures in ensuring that fundamental needs are met in supporting new communities
 1b (v) There is also pressure from neighbouring and London authorities placing households in the borough, often without our knowledge, however the Council has no powers to prevent this. It further reduces supply.
 1b (vi) Managing demand for social housing is extremely challenging given that anyone with a local connection can apply for housing to any Council
 1b (vii) Cost of Living crisis and rising interest rates are adding increased pressure to (a) homeowners and landlords in repayment of mortgages as variable rates spiral. This may lead to landlords increasing rental charges presenting more homelessness cases (if rents cannot be afforded) with increased demand for social housing

The above risks 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.

*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
As part of the Housing Delivery Programme, Affordable Housing provision extends beyond those development schemes acquired by Spelthorne Borough Council (direct delivery)	Government funding to assist vulnerable families in rent arrears and who are at threat of eviction.

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Collaborative working with Registered Social Landlords and Partners to pursue delivery of affordable housing need; S106 agreements with Developers	Collaborative initiatives with Surrey County Council (e.g., Drug and alcohol abuse)
In complying with Homelessness Reduction Act, proactive measures taken to address risk of homelessness	Monitoring of Housing Register levels (currently approx. 3,500 households on the register). Re-registration process will take place this winter in accordance with the new terms of the revised Allocation Policy.
Measures to support Rough Sleepers, Afghan and Ukrainian refugee families under the government funded relocation and assistance scheme, including dedicated support workers. Applying Home Office funding to provide additional support to refugees.	Revised Allocation Policy approved in June 2022, with a view to adding greater efficiency to the housing register process and assigning social housing. Council applying for maximum grant funding for both Afghan and Ukrainian schemes and looking to put in place wrap around housing support to mitigate as much as possible housing accommodation risk pressures.
Housing and Homelessness Strategies. Quarterly monitoring of Strategic Action Plan. Regular review by officer Strategic Housing Group. Member approved tenancy strategy	Counter Fraud bulk data matching initiative being pursued with A2D (subject to finalization of contractual agreement), with the objective of identifying potential social housing fraud occurrences, to free up social housing for those in genuine need
Surrey reciprocal arrangement to re-house applicants across boroughs where local connection confirmed	The Housing Team have written to other Councils reminding them of legal obligation to notify where placing households in the borough
£35m property acquisition scheme via KGE – Knowle Green Estates to purchase and manage readymade properties approved by Full Council in February 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. This programme has also been impacted by increased borrowing costs	Council discussing with Homes England potential for some grant support for the Street Acquisition Programme

Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
		12	12

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (At Nov 2022)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) <ul style="list-style-type: none"> - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
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12	Maintained risk score and RAG status
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Risk Category 2 – Economy

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 2
Supporting Communities Recovery from COVID	Management Team Economic Development Committee	Group Head Regeneration & Growth (Heather Morgan) / Economic Development Manager (Keith McGroary)

Risk Descriptions

Evolving national economic strategy and policy and ongoing recovery from previous pandemic lockdowns continue to have an impact on economic wellbeing locally, nationally and globally. This is now being compounded by impact of the Cost-of-Living crisis. The risk implications and threats to the Council are:

- Residual risk to be accepted – whilst Council actions aim to support businesses and the local economy, these actions alone can only have a limited impact due to the overarching effects and long term uncertainty of the macroeconomic environment, market volatility and geo political factors over which the Council has incredibly little influence.
- Challenges around the full recovery of the aviation sector remains significant for Spelthorne’s local economy and communities due to its proximity to Heathrow as a major employer in the area
- Significant longer-term reduction in income (fees and charges, such as parking and retail lettings of the Elmsleigh Centre) with decreased footfall in the town centres and uncertainty around future consumer activity patterns. This will continue to impact the Council’s finances
- The potential for increased level of business failures as a result of wider economic instability (inflationary pressures and increase in borrowing) and the need to pass on increased costs to the consumer. This impacts economic prosperity of the borough and affects collections rates for business rate income, with reduced levels impacting finances and services available
- The current economic environment may increase occurrences of anti-social behaviour, theft and fraud

***Current Control Actions** (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence)

****Current Mitigating Actions** (See Key. These are specific actions to reduce the impact of a risk event should it occur).

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<p>An Economic Prosperity Strategy has been developed (2023 – 2027) which addresses the key actions which face the borough. It incorporates a detailed strategy action plan detailing performance management measures in anticipating outcomes. The draft was agreed at Economic development Committee on 29 September 2022 and the final document is scheduled to go to committee on 12 January 2023.</p> <p>https://democracy.spelthorne.gov.uk/documents/s46623/App%20A%202023-28%20Economic%20Strategyv4.pdf</p>	<p>Government assisted Energy Rebate Scheme to support increased energy costs / bills.</p> <p>On 29 September 2022, the Economic Development Committee agreed a Town Centres Strategy for 2022 -23 which sets out a series of key actions for our smaller shopping areas and parades. These will provide targeted support and interventions, with timescales and measures of success clearly identified.</p> <p>https://democracy.spelthorne.gov.uk/documents/s46628/TCM%20Strategy%20FINAL.pdf</p> <p>On 10 October 2022, Corporate Policy and Resources Committee approved frontloading of Shared Prosperity Fund schemes from the retained business rates retention reserve. This is to ensure that projects can be delivered in the immediate future (when they are needed) rather than waiting for government funding to come forward in 2024/25.</p> <p>https://democracy.spelthorne.gov.uk/documents/s46672/CPRC%2010.10.22%20-%20SPF%20and%20BBR.pdf</p>
<p>Shared Prosperity Fund Investment Plan submitted to government in August 2022 highlighting local priorities and projects to assist with economic regeneration (£1m to spend over three years but with 88% backloaded to 2024/25). Currently awaiting approval from Department for Levelling Up.</p> <p>https://democracy.spelthorne.gov.uk/documents/s44963/CPR%20Ctee%2011.7.22%20SPF%20report%20v2.pdf</p>	<p>A separate report on the Council’s risk exposure to wider externalities provides further examples of local mitigating measures taken by the Economic Development team (to influence areas where a degree of local control can be applied). These include measures to strengthen the resilience of local businesses in the face of future challenges enabling access to new equipment, free professional coaching and training on social media, free cost reduction clinics, free websites etc.</p> <p>Business incubator to support entrepreneurs. Provision of a Youth Hub to provide support into employment / training / education for 16 – 24-year-olds funded by DWP. In December 2023 this will</p>

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	become a Jobs & Skills Hub focusing on the younger and the older age groups.
Fortnightly monitoring of Business Rates and Council Tax collection rates as part of monitoring the effect of current pressures such as the Cost-of-Living crisis on the collection fund. Regular reporting on collection rates to Corporate Debt Group and as part of KPI's to Councillors.	

Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
		12	9

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (At Nov 2022)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced risk score with no change to RAG status - Reduced risk score and RAG status
9	Maintained risk score and RAG status

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Risk Category 3 – Financial Resilience and Commercial Assets

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 3
Recovery from COVID	Management Team CPRC /Development Sub-Committee	Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier)

Risk Descriptions
Evolving externalities arising since the aftermath of the pandemic now compounded by the Cost-of-Living crisis and inflation continue to increase 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 in the worst-case scenario to the Council becoming financially unsustainable with associated reputational damage.

*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
Investment performance is monitored bi-monthly at weekly Councillor 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 (2021-22) despite the impacts of the pandemic). 91% of overall Investment Portfolio let.	The Council is continuing to increase its sinking funds which increased from £26m to £34m at the end of 2021-22 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. A review of sinking fund methodology and strategy is being undertaken. A report coming to Corporate Policy and Resources on 28 November 2022.
Due Diligence measures continue for tenant management.	
Development Sub-Committee approved a methodology for Business Plans for Investment Assets. A number of assets have now had their Business Plans approved by the Development Sub-Committee.	
Capital Strategy includes key performance indicators with a particular focus 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	

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scrutiny. Annual Performance Report. CIPFA FM Code self-assessment and Member reporting.	
All Councillor Budget Briefing setting out financial risks in context of budgetary position, informing budgetary process.	

Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
		9	9

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At Nov 2022)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained score with no change to RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
9	Maintained score with no change to RAG status

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Risk Category 4 – Financial Resilience and Supporting Communities

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 4
Supporting Communities Recovery from COVID Service Delivery	Management Team CPRC and Community Wellbeing	Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier)

Risk Descriptions

4(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, significantly 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.

4(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 impact on the Council's 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.

*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
Fully refreshed Reserves Strategy	Governance reporting including financial impact of current pressures on the Council's budget.
Financial impact assessment modelling	Inflationary pressure contingency reserve to assist with the predicted budget deficit.
Cashable savings working group set up to target efficiencies and savings. This Group is making process in identifying savings.	Proposals put forward for making efficiency savings to further safeguard the authority in addressing the budget deficit.
All Councillor Budget Briefing setting out financial risks in context of budgetary position, informing budgetary process.	

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Procurement Projects Board set up to ensure focus on delivering value for money from procurement.	Outline Budget report will provide updated medium term budget projections and set out options for refreshed medium term financial strategy. This to be considered alongside the refreshed Reserves Strategy.
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Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
		12	12

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At Nov 2022)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG Status - Reduced score with no change to RAG status - Reduced score and RAG status
12	Maintained risk score and RAG Status

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Risk Category 5 – Treasury Management

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 5
Recovery from COVID Service Delivery	Management Team CPRC	Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier) Chief Accountant (Paul Taylor)

Risk Descriptions

5(i) 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.

5(ii) Stock market volatility due to uncertainty may lead to adverse investment returns.

5(iii) Significant rises to interest rates and increased cost of borrowing / loans influence the Council's treasury activities.

*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
Treasury Management Strategy for 2022-23 approved by Members.	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.
Application of updated CIPFA Code of Practice and Prudential and Treasury Management Codes	Reviewing with Treasury Management advisors the Council's borrowing strategy in the context of interest rates rises and volatility – considering options such as greater internal borrowing, more short-term borrowing, generation of capital receipts to fund portion of Capital Programme.
Performance measurement and reporting	
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.	
Treasury Management training provided for all Councillors in September 2022	

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Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
		9	9

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At Nov 2022)	Direction of Travel after Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained score - Reduced score with no change to RAG status - Reduced score and RAG status
9	Maintained risk score and RAG status

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Risk Category 6 – Sustainability & Climate Change

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 6
Environment and Climate Change	Management Team Environment and Sustainability Committee	Group Head Commissioning & Transformation (Sandy Muirhead)

Risk Descriptions

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 & 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.

*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
<p>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 or earlier (Developed an action plan to move the Council towards net zero carbon emissions, agreed at Environment and Sustainability Committee September 2022). and to make recommendations on (i) How to apply the £747k fund (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. There are numerous examples of measures taken so far:</p> <p>Sustainability Strategy / Energy & Water Efficiency Policy / Currently developing climate change strategy and actions / Professional group membership to share best practice and knowledge / Implementing energy efficient measures in Council owned buildings / Increasing renewables</p>	<p>Recently installed solar panels at the Nursery as a renewable source of energy. Exploring options for improving energy efficiency of Nursery and Council offices.</p> <p>Officers attended Carbon Literacy training day and have committed to a range of carbon saving pledges.</p> <p>Development of list of projects to bring forward over the next 6 months for Green Initiatives Funding.</p>

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<p>capacity / Officers working with relevant committees and Treasury Management advisors on how we can transition investment portfolio to a more sustainable basis. Report to come to Corporate Policy and Resources on 28 November 2022.</p> <p>Surrey County Council have developed a strategy on Climate Change referred to as Greener Futures Delivery Plan.</p>	
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Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
		12	9

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

<p>What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented)</p> <p>(At Nov 2022)</p>	<p>Direction of Travel after Considering further mitigation set out in the Risk Action Plan? (Either)</p> <ul style="list-style-type: none"> - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
9	Maintained risk score and RAG status

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Risk Category 7 – Corporate Capacity, Resources, Recruitment and Retention

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 7
All Priorities	Management Team CPRC & Admin Committee	Group Head Commissioning & Transformation (Sandy Muirhead)

Risk Descriptions

7(i) Overstretched capacity exacerbated by the additional workload, new Committee system of governance and demands arising from new schemes / initiatives in supporting communities (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.

7(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 nature of the risk set out at 7(i) above and 7(iii) below 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: do nothing on the basis that the controls have proven effective enough to reduce the risk to an acceptable level, OR increase or modify controls to reduce the risk to a level that is regarded acceptable OR 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.

7(iii) Unsuccessful recruitment and ongoing unfilled vacancies in a challenging and competitive labour market lead to reduced level of technical skills and relevant expertise operating across Services. Staff shortages further exacerbate workload pressures across teams. The consequences of this risk are set out earlier at 7(i).

7(iv) Ineffective or inappropriate recruitment exacerbated by the skill shortages within the local government market could result in appointments that fail to effectively meet business need leading to reduced service quality.

*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
Capacity management – Management to address workload issues across teams, with continued prioritisation of tasks	Staff can access welfare information on Intranet. Support is available for mental and emotional wellbeing including mental health first aiders and

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	Care First. This scheme has been promoted through regular staff communications.
Responsibility to remain alert to stress related risks of demanding workload.	Monitoring of sickness absence providing corporate view of stress issues.
The need to treat colleagues respectfully has been recognized and communicated.	
Corporate values under the acronym 'PROVIDE' form part of the Corporate Plan. Over time it is the intention for the Council's values to become further embedded into behaviours, policy, and processes (including recruitment).	
Annual staff and Member survey commissioned Spring / Summer 2022 designed to ascertain employee and member views on several themes including workplace culture, values, recruitment and retention. Feedback from the survey has been analysed with a view to making any necessary improvements and changes. Both survey summaries are being reported to Councillors.	
Growth bids for additional resourcing form part of annual budget process (moratorium restrictions being implemented going forward), with 17 FTE's previously approved for 2022/23.	
<p>Several recruitment and retention measures have been underway for some time with examples below:</p> <ul style="list-style-type: none"> i) Recruitment and Retention Policy and Market Supplement Scheme to offer financial enhancements for hard to fill posts which are agreed by MAT. Anticipated £200k of the £250k corporate provision will be utilised in 2022/23 ii) An apprenticeship training programme to upskill existing staff and offer development opportunities to new hirers. As part of the Finance restructure (being funded within existing budget), two apprentice posts are being created iii) An Employee Assistance Programme scheme and Mental 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 v) Flexi time working arrangements 	

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

<p>vi) An exit interview scheme routinely offered / undertaken that encourages leavers to engage, providing an opportunity for SBC to learn, improve and apply where appropriate for the future</p> <p>vii) A 2.5% pay increase for 5 lowest grades approved for 2022/23 and 2% increase for all other staff (moratorium on staff establishment resource for 2023/24)</p> <p>viii) Members of South East Employers newly formed Reward and Recognition Network to share best practice and to learn from any initiatives taking place elsewhere (this is a work in progress). This highlights that all local authorities are experiencing recruitment issues.</p> <p>ix) 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.</p>	
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Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
		12	12

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

<p>What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At Nov 2022)</p>	<p>Direction of Travel (Either) after considering further mitigation set out in the Risk Action Plan?</p> <ul style="list-style-type: none"> - Maintained risk score and RAG (Red/Amber or Green) - Reduced score with no change to RAG status - Reduced score and RAG status
12	Maintained risk score and RAG

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Risk Category 8 – Equality, Diversity, and Inclusivity		
Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 8
All Priorities	Management Team Any dedicated Committee ?	Management Team Group Head Commissioning & Transformation (Sandy Muirhead)

Risk Descriptions
If there is a failure to effectively adhere to the Equality Act (2010), this could lead to workplace practices and delivery of services that fail to incorporate necessary principles, standards and requirements in promoting equal opportunities, diversity and inclusivity. This may increase risks of discriminatory practices and consequentially, the Council could be subject to complaints or even claims resulting in reputational damage.

*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
Training mechanisms to raise awareness and understanding such as use of Workrite and external trainer provided remote staff training during 2020/21.	Equality Impact Assessments are completed as a requirement on initiation of new projects and strategies .
Some examples of how the Council demonstrates its commitment to E,D & I principles include: (i)Recognising and celebrating diversity through communications and engagement amongst staff and local communities such as Black History Month and GBLT Pride month. (ii)Champions (Staff reps) introduced at staff meeting to explore further positive approaches relating to E,D & I. Inclusivity Working Group in place. (iii) Corporate Values – (PROVIDE)are incorporated into the Council’s equality and diversity objectives (to be published next week) together with an internal equality and diversity policy. (iv) An Equality, Diversity and Inclusivity ‘Statement of Intent’ document has been recently reported. (v) Internal and external websites have been updated.	

Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
N/A NEW RISK CATEGORY		N/A NEW RISK CATEGORY	9

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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the additional /indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At Nov 2022)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG - Reduced risk score with no change to RAG status - Reduced risk score and RAG status
6	Reduced risk score with no change to RAG status
Risk Category 9 – Working arrangements across local government tiers	

Corporate Priority Areas	Ownership & Accountability for Risk	Lead Officer (s) Risk Category 9
All Priorities	Management Team Any dedicated Committee ?	Management Team

Risk Descriptions
<p>9 (i) The County Deal presents potential implications for collaborative and partnership working approaches across Surrey Districts and Boroughs in serving local communities.</p> <p>9 (ii) In the context of wider financial / funding challenges being experienced across local government, there is a greater risk that pressures faced at County Council level may be diverted to districts and boroughs. This could lead to increased workload for smaller authorities like Spelthorne as well as extended complexity and risk in delivering high profile services / operations for which skills and expertise may not be held. (One example relates to Family Support where the volume of County referrals for high need cases have increased significantly, as well as the caseload category exceeding 'level 3').</p> <p>9 (iii) As Surrey County Council draw to an end a number of services and agency agreements (formerly undertaken by Spelthorne), this could lead to reduced service quality in areas such as on-site parking and verge maintenance, impacting local communities and residents.</p>

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*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)	**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).
Service Level Agreements to clarify roles and responsibilities of respective parties	Spelthorne is committed to working in partnership with a significant number of such arrangements already in place, with a view to promoting greater alignment of strategic responsibilities and resources to achieve greater effectiveness and optimising best value.
Strategic boards such as Surrey Delivery Board established in making broader decisions	

Previous RAG Status (July 2022)	Current RAG Status (Nov 2022)	Previous Risk Score (July 2022)	Current Risk Score (Nov 2022)
N/A – NEW RISK CATEGORY		N/A NEW RISK CATEGORY	9

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

What is the additional/indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (Once fully implemented) (At Nov 2022)	Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status
9	Maintained risk score and RAG status

**APPENDIX B RISK ACTION PLAN REPRESENTING FURTHER MITIGATING ACTIONS (OPEN)
REVIEWED OCTOBER 2022**

**COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PINK.
OVERALL ACCOUNTABILITY ASSIGNED TO MANAGEMENT TEAM AND RESPECTIVE COMMITTEE**

RISK CATEGORY (RC) REFERENCE (AS IN THE CRR)	ACTIONS (SMART)	DATE ACTIONS ADDED	LEAD OFFICER DATE ACTIONS REVIEWED & WHOM BY	TIMELINE FOR DELIVERY (MONTH AND YEAR) (INCLUDES ALL REVISED TARGET DATES)	STATUS (IMPLEMENTED / IN PROGRESS OR OUTSTANDING) (REPORTED STATUS AT OCTOBER 2022)
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 & Growth on 7.10.21</i> <i>Action reviewed by Group Head Regeneration & Growth on 09.02.22</i> <i>Action reviewed by Group Head Regeneration & Growth on 24.06.22 & 27.10.22</i>	(i) March 2022 (ii) Revised – June 2023	IN PROGRESS 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 then at Council on 19 May 2022 A report will be going to Environment and Sustainability Committee on 8 November to agree a revised Local

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					Development Scheme timetable and minor alterations to the Staines Development Framework
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 reviewed by Chief Finance Officer, 14.10.22</i>	(i)March 2022 (ii)Revised – September 2022 (iii)Revised January 2023	IN PROGRESS On 28 November 2022 CPRC will receive KGE annual report. Future options are to be discussed at an Extraordinary Council meeting (anticipated in January 2023).
1b HOUSING – Affordable	1b (i). Service Level Agreement to be put in place with registered providers to establish and take forward cases of any alleged tenancy fraud with a view to freeing up social housing	March 2020	Lead - Housing Strategy Manager (Marta Imig) <i>Action reviewed by Housing Strategy Manager on 3.10.2021,28.1.22 & 28.6.22</i>	(i)October 2021 (ii) Revised March 2022 (iii) Revised July 2022 (iv) Revised October 2022 (v)Revised January 2023	IN PROGRESS To undertake a targeted bulk data matching exercise. Delays encountered in seeking buy-in. Further to finalisation of legal agreement with Registered Provider, this exercise can commence.
2.REGENERATION AND GROWTH	2i.The Economic Prosperity Strategy is being reviewed and fully refreshed to cover	June 2022	<i>Group Head Regeneration and Growth (Heather</i>	(i) September 2022	IN PROGRESS

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	2023 – 2028. It will incorporate any residual actions from the Corporate recovery plan.		<i>Morgan) reviewed 27.10.22</i>	ii.Revised January 2023	Some elements already shared and considered with the Economic Development Committee. The final draft of the strategy was considered by the Economic Development committee on 29 September 2022 and will go back to Committee on 12 January 2023 for final adoption.
3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3i. Extending the scenario modelling for sinking fund adequacy from 10 years to 20 years. Review of the sinking fund methodology.	2022	<i>Current Operational Lead for Assets - Deputy Chief Executive, Lee O'Neil</i> <i>Action reviewed by Deputy Chief Executive - Chief Finance Officer 17.6.22 & 14.10.22</i>	(i) December 2022	IN PROGRESS At November 2022, shortly to extend the scenario modelling from 10 to 20 years. Report going to 28 November CPRC on review of the sinking fund methodology/approach and confirming strategy.

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5.TREASURY MANAGEMENT	5i. Finalisation of the Council's borrowing strategy with Treasury Management Advisors in the context of the challenges presented in the current financial environment	October 2022	Deputy Chief Executive/ Chief Finance Officer	(i)December 2022	NEW ACTION & IN PROGRESS. Several options are being considered as referred to on the register.
6. SUSTAINABILITY & CLIMATE CHANGE	6i 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 & Transformation 10.2.22 & 26.10.22</i>	(i)June 2021 (ii)Revised October 2022 (iii)Revised March 2023	IN PROGRESS Environment and Sustainability Committee of January 2022 agreed framework for prioritising bids to the Green Initiatives provision. Bids submitted covering a range of topics and more will be brought forward to Committee over the next 6 months
6.SUSTAINABILITY & CLIMATE CHANGE	6ii. 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) reviewed 26.10.22	(i)September 2022 (ii) June 2023	IN PROGRESS Training delivered to initial group of staff September 2022 and will be rolled out over the next year to all staff.
7. CORPORATE CAPACITY,	7i. Monitoring impact of departure of experienced	March 2021	ALL / Group Head Commissioning &	Continuous action	ONGOING

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RESOURCES, RECRUITMENT AND RETENTION	officers and managing associated loss of organisational knowledge and talent. Review of staff retention measures to reduce and mitigate the risk of staff departures.		Transformation (Sandy Muirhead) <i>Action reviewed by Group Head Commissioning & Transformation 10.2.22/26.10.22</i>		Spelthorne are Members of South East Employers newly formed Reward and Recognition Network to share best practice and learn from new initiatives.
7.CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7ii. The continuation of excessive workload pressures exacerbated further by the Committee system of Governance and demands arising from new schemes / initiatives in supporting communities 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 reviewed November 2022</i>	Continuous action	IN PROGRESS Revenue Monitoring Reports to Committee highlight variances between Budgeted FTE and actual FTEs (not including agency and temps).
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 &</i>	(i)June 2022 (ii)Revised October 2022 (iii)Revised February 2023	IN PROGRESS (No further Updates to report at Nov 2022) Collaborative working with professional groups such as South East Employers to

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			<i>Transformation (Sandy Muirhead)</i> 24.6.22/26.10.22		explore options and strategies. This is a 'work in progress'.
8.EQUALITY, DIVERSITY AND INCLUSIVITY	8i.Produce an Equality, Diversity, and Inclusivity Strategy for the Council. This will provide a more robust structured approach in delivering and embedding essential, principles, standards and requirements in promoting equal opportunities, diversity and inclusivity.	October 2022	MAT hold overall accountability and will need to assign a lead Officer to support production of a strategy together with appropriate resources.	Proposed March 2023	NEW ACTION Statement of Intent and equality objectives produced as a first step, and internal and external website updated.

COMPLETED ACTIONS IN GREEN

RISK CATEGORY REFERENCE (AS IN THE CRR)	ACTIONS (SMART)	DATE ACTIONS ADDED	LEAD OFFICER DATE ACTIONS REVIEWED & WHOM BY	TIMELINE FOR DELIVERY (MONTH AND YEAR) (INCLUDES ALL REVISED TARGET DATES)	STATUS (IMPLEMENTED / IN PROGRESS OR OUTSTANDING) (REPORTED STATUS AT MARCH 2022)
FINANCIAL RESILIENCE AND SUPPORTING COMMUNITIES	RC4i. Identifying additional inflationary pressures impacting the Council's budget and financial position.	June 2022	Lead Officer - Deputy Chief Executive - <i>Chief Finance Officer</i>	July 2022	COMPLETED ACTION Report to CPRC July 2022 identifying additional inflationary pressures of

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					approximately £1.2m impacting on the 2023/24 budget. A number of mitigating actions are being taken to tighten the 2023-24 Budget process (see register).
FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	RC 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	Lead Officer - Deputy Chief Executive - <i>Chief Finance Officer</i> <i>Action reviewed by Deputy Chief Executive 15.10.21, February 2022, June 2022.</i>	Addressed over course of time so added to completed actions	COMPLETED ACTION Financial Management Code Self-Assessment taken to November 2021 Audit Committee. Action Plan for Finance Peer Review recommendations periodically reported to Corporate Policy and Resources and Audit Committee.
6. SUSTAINABILITY & CLIMATE CHANGE	6i. Developed an action plan to move the Council towards net zero carbon emissions	June 2022	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead) . Reviewed October 2022	(i)October 2022	COMPLETED ACTION Agreed at Environment and Sustainability Committee September 2022

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6.SUSTAINABILITY & CLIMATE CHANGE	6iii. County have developed a strategy on climate change Greener Futures Delivery Plan	March 2021	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead) <i>Action reviewed by Group Head Commissioning & Transformation 10.2.22 & 24.6.22 & 26.10.22</i>	(i)Revised September 2022 (previously ongoing)	COMPLETED ACTION Worked 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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Audit Committee

24 November 2022



Title	The Council's risk exposure to wider externalities and impact
Purpose of the report	To Note
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	<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>
Recommendations	<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>Macro-economic environment <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>Geo-Political risk – <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>
Reason for Recommendation	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 controls and mitigation measures underway to manage risks. For the Council, these wider externalities continue to have 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 We have retained the format and presentation of this risk assessment as previously reported to the Audit Committee, given it has previously been acknowledged as conveying the necessary information in a clear and sufficient way.

2. Key issues

2.1 The revised risk assessment relating to the Council's risk exposure to wider externalities is set out at Appendix A .Risks continue to be assessed with current controls and current mitigations in place to determine their Red/Amber/Green (RAG) status and associated priority. Any further mitigation actions planned or underway are recorded in the last column of the risk assessment.

2.2 The specific risks identified and presented continue to be significantly influenced by external factors, due to the economic crisis and macroeconomic environment (elevated inflationary pressures, increased rates of borrowing from the Public Works Loan Board (PWLB) and rising interest rates, high energy/fuel/food prices and the Cost-of-Living strain) as well as the ongoing geopolitical uncertainty arising from the Ukraine crisis and factors such as China/US relations. Government instability and the recent mini budget has also impacted market volatility and confidence, and experts point to the economic outlook for the UK as bleak with the Bank of England forecasting a two-year recession and raising interest rates (bank rate) to 3% in seeking to tame soaring inflation. These increased borrowing costs are adding further financial strain to households and businesses. Gilt rate movements have significant influence on the Council's finances as they impact Public Works Loan Board (PWLB) rates. The Chancellor's forthcoming Autumn Statement of 17 November will provide further plans for sustainability of public finances with expectation of cuts on public spending and tax rises. It is therefore important to continue to recognise that Spelthorne's risk mitigation measures may be limited in their effectiveness due to significant evolving externalities beyond the control of the council. There are many activities that the Council cannot directly control/mitigate/influence given many of its operations form part of and remain influenced by the global/national environment. Given all of this, there appear to be no simple fixes or solutions to many of the complex

externally driven risks identified and the Council continues to explore and apply local controls and mitigating actions with a view to alleviating (not overcoming) some of the paramount external challenges and pressures, whilst recognising the limitations in doing so.

- 2.3 Key risks, issues and developments to highlight from the refreshed risk assessment are set out below at 2.3 (a) to 2.3 (c). It should be acknowledged that the majority of risks and issues raised in this section reflect those already reported in the separate Corporate Risk Register, specifically focussing here on three broad areas i.e., the Council's economic prosperity, financial position (sustainability and resilience), and Housing/supporting Communities.

(a) Risk Category A- Economy- Mostly Amber RAG rated risks

The refreshed economic risks set out in the risk assessment including the macroeconomic environment, elevated inflationary pressures, Cost-of-Living crisis, increased borrowing costs and market volatility continue to have a significant impact on Council operations, revenue streams, finances and budgetary position, as well as continued strain on households and local communities. These are explained further under section 2.3 (b and c). The socio-economic impact arising from these challenges includes greater occurrence of anti-social behaviour, crime, and fraudulent activity, again adding greater pressure to Council services and impacting community safety.

There is the potential for increased level of business failures across Spelthorne because of wider economic instability (very high inflation, surging prices arising from the supply chain and accelerating interest rates/borrowing) with the need to pass on increased costs to the consumer. This not only impacts economic prosperity of the borough but also affects collections rates for business rate income (lost income where businesses cease trading and operational businesses inevitably face greater challenges in paying bills), with reduced levels impacting Council finances and services available.

Whilst Council actions aim to support businesses and the local economy (as set out here and in the following paragraph), these actions alone can only have a limited impact due to the overarching effects and long term uncertainty of the macroeconomic environment, market volatility and geo political factors over which the Council has incredibly little influence. The adverse economic forecast in terms of recession and bleak economic outlook for growth adds greater challenge and pressure going forward.

Whilst the national economic picture remains bleak, the measures that the Economic Development team have taken to influence Spelthorne's position in areas that the authority can exert some control and therefore to mitigate the impact on the borough has led to most of the assessed risks in this section as being currently rated as amber, with the one red rated risk reflective of the national economic picture.

There are several controls and mitigation measures in place and being progressed. The final draft of the Economic Prosperity strategy (2023 – 2028) was considered by the Economic Development committee on 29 September 2022 and will go back to Committee on 12 January 2023 for final adoption. The strategy incorporates a detailed action plan detailing performance management measures in anticipating outcomes. Other measures include a Shared Prosperity Fund Investment Plan submitted to government in August 2022 highlighting local priorities and projects to assist with economic regeneration, a Town Centre strategy and action plan, and approved frontloading of the Shared Prosperity Fund scheme to ensure that projects can be delivered at the earliest opportunity in meeting need rather than waiting for government funding to come forward in 2024/25. In addition there have been several measures to improve resilience, support and training for local businesses, as well as promoting accessibility into employment.

(b) Financial Position (Sustainability and Resilience)– risk category B Red RAG rated risks

The risks set out in this section including the impact of the macroeconomic environment, elevated inflationary pressures, Cost-of-Living crisis, significantly increased PWLB borrowing rates/costs, market volatility and geopolitical factors continue to have a significant impact on the Council's budgetary position and finances, with the potential for adverse effects in delivering sustainable services to communities. This coincides with greater ongoing demands placed on Councils Services as the significant financial constraints arising from the Cost-of-living Crisis being felt across local businesses, communities and households continue to accelerate need for greater support from the Council. There are likely to be further financial pressures across the public sector and local councils on the assumption of significant cuts to public spending by the government (note earlier reference to the Chancellor's forthcoming Autumn Statement of 17 November which will provide further plans for sustainability of public finances in addressing the estimated £40bn Fiscal shortfall).

Construction costs (materials, fuel, shipping and labour) continue to accelerate, and prior delays to scheme progression remain relevant, adversely impacting the overall cost, and financial viability of residential property development schemes. This has led to further assessments to determine how the authority should proceed in supporting delivery of the Housing Delivery Programme and development targets. Some of the options being explored are set out in the risk assessment and include pursuing grant funding to partly fund residential development schemes and changing the tenure mix of schemes to reduce the level of long term borrowing required. Whilst these mitigating factors are being explored, the authority is not yet in a position to confirm measures taken, and therefore the associated risks set out above remain relevant.

We have previously reported measures being taken to reduce the budget deficit such as the Inflationary pressure contingency reserve to assist with the predicted budget deficit. In addition, the Cashable Savings working group has already highlighted efficiency savings for the authority. Further steps are being taken to tighten the 2023/24 budget process currently underway.

Fortnightly monitoring of Business Rates and Council Tax collection rates continues as part of monitoring the effect of the Cost-of-Living crisis on the collection fund. In addition, there is a potential risk of income reduction across other Council revenue streams such as Planning and Building Control if applications decrease so this will need to be monitored.

In continuing to manage the Council's risk exposure relating to commercial investment assets, a review of sinking fund methodology and strategy is being undertaken with a draft policy prepared, to be reported to Corporate Policy and Resources on 28 November 2022.

The Outline Budget report will provide updated medium term budget projections and set out options for refreshed medium term financial strategy. This to be considered alongside the refreshed Reserves Strategy.

(C) Housing and Communities – risk category C - Red and Amber RAG rated risks

Please refer to the issues highlighted at 2.3 (A & B) above as they are relevant for this section.

Financial pressures felt by households and landlords present greater threat of eviction if rents and mortgages can no longer be afforded. The worsening Cost of Living Crisis could therefore lead to increased levels of homelessness and greater demands for social housing, adding increased pressure to the Housing service.

The £35m Property Acquisition scheme to purchase and manage readymade properties through Knowle Green Estates (KGE) in addressing affordable housing need has been significantly impacted by increased PWLB borrowing rates. The Council is therefore discussing with Homes England potential for some grant support towards funding this scheme.

Council services and other voluntary/charitable organisations continue to offer help and support to Afghan Families and refugees from Ukraine, under the government funded assistance scheme.

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

Some of the other local control measures being taken by Spelthorne to support its communities during the Cost-of-Living crisis as well as migrant communities are set out below :

(i)The Council has expanded the capacity of the Citizens Advice to provide free advice and support to vulnerable clients and families. However, it is

recognised that even with the expanded capacity, there is still unmet demand for free and reliable advice in the community.

(ii) Migrant families are being supported into privately rented accommodation with rent in advance and deposit payment funded externally by the Home Office.

(iii) The Energy rebate scheme to support households with increased Cost of Living (specifically high gas and electricity bills) has with all mandatory allocations now processed.

(iv) The Household Support Fund (Phase 3) will be issued between November and March.

3. Options analysis and proposal

- 3.1 In the context of the Council's risk exposure to wider externalities and impact, the revised risk assessment at Appendix A is an accurate reflection of the relevant risks affecting the Authority, based on consultation with Managers and assessment of risk and controls in operation. Option 1 (Preferred option) - To consider the contents of the risk assessment including any new or expanded risk categories, current control actions, current mitigating actions and further actions set out in the last column underway or for perusal. To continue to take necessary actions going forward in response to the significant issues raised in this report and as detailed in the risk assessment. Or:
- 3.2 Option 2 - To recommend amendments to the revised risk assessment at Appendix A

4. Financial implications

- 4.1 There are major implications for the Council's finances and budgetary position arising from all the broad risk categories discussed under section 2.3 above. This is of course because of the ongoing major inflationary pressures compounded by the Cost-of-Living Crisis, increased cost of borrowing, high interest rates, accelerating costs of major development schemes due to construction inflation and ongoing adverse financial impact of scheme delays. Some of the local control measures underway or being explored by the Council in delivering corporate priorities are highlighted under para 2.3.

5. Risk considerations

- 5.1 The Council's Risk Exposure to wider externalities impacts the effective achievement of corporate priorities. At Appendix A three broad relevant risk categories are set out (risk category A – Economic activity and prosperity, risk category B – Council's Financial Position (Sustainability & Resilience), risk category C – Housing and Communities). Under each broad category specific risks and implications are identified and articulated, as well as the current controls and current mitigation measures in place to alleviate these risks. Taken together, current controls and current mitigating actions represent ways of managing risk. Further mitigating actions planned or underway in alleviating identified risks are set out in the last column.

- 5.2 To reiterate important commentary under para 2.2 above, there are no simple fixes or solutions to many of the complex risks identified in this risk assessment. The Council continues to explore and apply local controls and mitigating actions with a view to alleviating (not overcoming) some of the paramount external challenges and pressures being faced, whilst recognising the limitations in doing so.

6. Procurement considerations

- 6.1 Any procurement considerations relating to the risk categories on the risk assessment should be identified by the respective Risk Owners and lead officers and are likely to form part of separate reporting/communications.

7. Legal considerations

- 7.1 Risks facing the Council arising from external factors as identified on the risk assessment may impact the Council's ability to deliver priorities and statutory obligations in addressing community needs. For example delivery of the Housing Delivery Programme in meeting affordable housing provision and wider housing need.

8. Other considerations

- 8.1 As previously reported, as part of the forthcoming LGA Corporate Peer review taking place in November 2022, this process will provide continued direction and insight in supporting the Council to address its significant strategic risks within the challenging external environment, considering overlapping themes around sustainability, developments, housing, supporting communities and finances.

9. Equality and Diversity

- 9.1 Under the government funded assistance scheme Spelthorne continue to provide support to Afghan Families and to refugees from Ukraine, including being financially supported into privately rented accommodation. Dedicated support workers continue to assist these families and communities settle into a new environment and advise on how they can access relevant services and facilities.

10. Sustainability/Climate Change Implications

- 10.1 There are no further implications to highlight, separate to those in the Corporate Risk Register.

11. Timetable for implementation

- 11.1 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).

12. Contact

- 12.1 Internal Audit Manager, Punita Talwar. P.talwar@spelthorne.gov.uk
01784 446454

Background papers: Economic News sources

Appendices:

Appendix A –The Councils risk exposure to wider externalities and impact – Risk Assessment . (Please note this includes (i) level of assessed risk i.e. Red/Amber/Green - RAG status of each specific risk identified (ii) Numerical risk scores for likelihood and impact of each risk identified)

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

(November 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 effectively reduced and mitigated continue to be significantly impacted by evolving externalities. Spelthorne’s operations remain influenced by these external challenges and pressures, as is the case for other Councils. Due to these externalities, there are many activities that the Council cannot directly control/mitigate, or influence and continued recognition is important. The current controls and mitigation measures are in the risk assessment. RC refers to risk category e.g., RC.A = Risk category A

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.*

For the purpose of this reporting, we are focussing on those externalities that carry the most significant impact for the Council and the communities it serves. (Externalities can be wide ranging) Please refer to next page 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.

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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 current controls and current mitigations in place. Risks are plotted on a risk matrix (see below) and prompt management action should be taken on those risks that fall into the red zone. Planned management action is considered for “amber” risks while “green” risks are regarded as acceptable. The risks associated with wider externalities have been plotted on the graph below.

Impact	4 (Catastrophic)				
	3 (Major)			RC.C (i,ii) RC.A (i) (ii) (iv)(v) (vi)	RC.B (i) (ii) (iii)(iv) RC.C(iii) RCA (iii)
	2 (Medium)				
	1 (Trivial)				
		1 (Rare)	2 (Unlikely)	3 (Likely)	4 (Almost certain)
		Likelihood			

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

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

Risk Area	Likelihood	Impact	Current Control Measures and Mitigation	Risk or Issue Action Plan
<p>A. ECONOMIC ACTIVITY RED AND AMBER RISKS</p> <p>(i) <u>Risk:</u> Challenges of the macro-economic environment on local economic activity compounded by the Cost-of-Living Crisis continues to place demands on a range of Council Services and impacts the Council’s financial position (the impact on the Council’s finances is highlighted under section B).</p> <p>(ii) <u>Risk:</u> Whilst Council actions aim to support and influence sustained local economic recovery and growth, these actions alone can only have a limited impact in controlling outcomes due to the overarching effects and long term uncertainty of</p>	<p>(i)3</p> <p>(ii)3</p>	<p>(i)3</p> <p>(ii)3</p>	<p>An Economic Prosperity Strategy has been developed (2023 - 2027) which addresses the key actions which face the borough. It incorporates a detailed strategy action plan detailing performance management measures in anticipating outcomes. The draft was agreed at Economic development Committee on 29 September 2022 and the final document is scheduled to go to committee on 12 January 2023.</p> <p>https://democracy.spelthorne.gov.uk/documents/s46623/App%20A%202023-28%20Economic%20Strategyv4.pdf</p> <p>Various local measures such as strengthened business base to help make them more resilient to future challenges by utilising the Additional Restrictions Grant from the government to provide access to new equipment, free professional coaching, free training on social media for business, free cost reduction clinics, free websites.</p> <p>The provision of a business incubator to support entrepreneurs, provision of a Youth Hub to provide support into employment /</p>	<p>ONGOING ACTION: The local economic situation is regularly reviewed and reported, considering the inflationary pressures, increased borrowing costs due to rising interest rates and Cost of Living crisis.</p> <p>ONGOING ACTION: Reviewed November 2022 Regular reporting on actions and tasks completed / in progress takes place at the Economic Development Committee.</p>

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

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

Risk Area	Likelihood	Impact	Current Control Measures and Mitigation	Risk or Issue Action Plan
<p>the macroeconomic environment, market volatility, global drivers, and geopolitical uncertainty such as conflicts in Ukraine and political sanctions – over which as a whole the Council has incredibly little influence.</p> <p>(iii) <u>Risk</u>: Uncertainty and volatility for global economy. UK inflation is forecast to remain high and currently stands at 10.1% (at November 2022), putting increased pressure and strain on businesses, households, and the Council’s budget. This presents the threat of an increased level of business failures as a result of wider economic instability (elevated inflationary</p>	<p>(iii)4</p>	<p>(iii)3</p>	<p>training / education for 16 – 24-year-olds funded by DWP. In December 2023 this will become a Jobs & Skills Hub focusing on the younger and the older age groups.</p> <p>Shared Prosperity Fund Investment Plan submitted to government in August 2022 highlighting local priorities and projects to assist with economic regeneration (£1m to spend over three years but with 88% backloaded to 2024/25). Currently awaiting approval from Department for Levelling Up.</p> <p>https://democracy.spelthorne.gov.uk/documents/s44963/CPR%20Cttee%2011.7.22%20SPF%20report%20v2.pdf</p> <p>Fortnightly monitoring of Business Rates and Council Tax collection rates as part of monitoring the effect of current pressures such as the Cost-of-Living crisis on the collection fund. Regular reporting on collection rates to Corporate Debt Group and as part of KPI’s to Councillors.</p>	

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

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

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<p>pressures and increase in borrowing costs due to rising interest rates) and the need to pass on increased costs to the consumer).</p> <p>(iv) <u>Risk</u>: Ongoing 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)3	(iv)3	<p>Government assisted Energy Rebate Scheme to support increased energy costs / bills.</p> <p>On 29 September 2022, the Economic Development Committee agreed a Town Centres Strategy for 2022 -23 which sets out a series of key actions for our smaller shopping areas and parades. These will provide targeted support and interventions, with timescales and measures of success clearly identified. https://democracy.spelthorne.gov.uk/documents/s46628/TCM%20Strategy%20FINAL.pdf</p> <p>On 10 October 2022, Corporate Policy and Resources Committee approved frontloading of Shared Prosperity Fund schemes from the retained business rates retention reserve. This is to ensure that projects can be delivered in the immediate future (when they are needed) rather than waiting for government funding to come forward in 2024/25.</p>	

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Risk Area	Likelihood	Impact	Current Control Measures and Mitigation	Risk or Issue Action Plan
<p>(v) <u>Risk:</u> Challenges around the full recovery of the aviation sector remains significant for the prosperity of Spelthorne’s local economy and communities due to its proximity to Heathrow as a major employer in the area, facilitating business activity.</p>	(v)3	(v)3	<p>https://democracy.spelthorne.gov.uk/documents/s46672/CPRC%2010.10.22%20-%20SPF%20and%20BBR.pdf</p>	
<p>(vi) <u>Risk:</u> The continued cost-of-living crisis impacts economic prosperity of the borough with adverse impact on recovery and growth. It consequently affects collections rates for business rate income, with reduced levels impacting finances and services available</p> <p><i>(Economic news sources: The Bank of England has announced that the UK has</i></p>	(vi)3	(vi)3		

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<p><i>entered a recession and increased interest rates (bank rate) to 3%. There could be little to no economic growth in the UK for the next three years. Average UK wages are still falling in real terms due to very high inflation with demands for wage increases across some professions/sectors. Job vacancies may remain unfilled for key public services).</i></p>				
<p>B. FINANCIAL SUSTAINABILITY AND RESILIENCE – <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>RED RISKS</p>			<p>Medium term financial strategy. Budget process for 2023/24 is underway.</p> <p>Monitoring tax base and collection fund deficits and assessing impacts on the current/future budgets.</p> <p>Fully refreshed Reserves Strategy</p> <p>Financial impact assessment modelling</p>	<p>ONGOING MONITORING: Added November 2022: Significant fiscal shortfall in the overall public finances – Autumn Statement of 17 November will confirm direction with early indication of addressing the shortfall through tax rises and significant public spending cuts.</p>

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

Risk Area	Likelihood	Impact	Current Control Measures and Mitigation	Risk or Issue Action Plan
<p>(i) <u>Risk</u> - Significant financial cost implication for the Council associated with the macro-economic environment, in particular the impact of elevated inflationary pressures such as energy, fuel and household costs on balancing the budget, as well as rising base rate interest rates, significantly increased PWLB borrowing rates, and financial impact of geopolitical situation.</p>	(i)4	(i)3	<p>Cashable savings working group set up to target efficiencies and savings.</p> <p>Governance reporting including financial impact of current pressures on the Council’s budget.</p> <p>Inflationary pressure contingency reserve to assist with the predicted budget deficit.</p> <p>Development Sub Committee of Corporate Policy and Resources receives regular monitoring reports for scrutiny including on the performance of the Investment portfolio and progress with development schemes.</p>	<p>ONGOING MONITORING (Reviewed November 2022):</p> <p>Previously reported 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 Government Funding Settlement. Changes may take place in 2024/25.</p> <p>Local Government provisional funding settlement is potentially going to be even later than usual this year.</p>
<p>(ii) <u>Risk:</u> Rising inflationary pressures have led to significant increases in construction costs (materials, fuel, shipping and labour) which continue to accelerate, therefore adversely impacting the overall cost, and financial viability of residential property development</p>	(ii)4	(ii)3	<p>Financial monitoring and reporting; quantifying the impact of delayed property schemes on the Council’s budgetary position as well as outlining mitigating actions moving forward</p> <p>Viability assessments for development schemes required to take account of accelerating costs to determine ongoing financial viability</p>	<p>NEW ACTION: Added November 2022 Outline Budget report will provide updated medium term budget projections and set out options for refreshed medium term financial strategy. This to be considered alongside the refreshed Reserves Strategy.</p>

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Risk Area	Likelihood	Impact	Current Control Measures and Mitigation	Risk or Issue Action Plan
<p>schemes. This has led to further assessments to determine how the authority should proceed in supporting delivery of the Housing Delivery Programme and development targets.</p> <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 crime, fraud and theft during periods of economic</p>	(iii)4	(iii)3	<p>Exploring and reviewing options for reducing amount of borrowing required to fund the Housing Delivery programme. Options being explored set out below:</p> <ul style="list-style-type: none"> i) Exploring grant funding options to fund part of the residential developments – a positive initial meeting with Homes England on 07 October 2022. Also exploring with One Public Estate future potential of Brownfield Release grant funding ii) Changing the tenure mix of residential schemes to include element of sales of units (reducing the amount of long-term borrowing required) iii) Reviewing with Treasury Management advisors borrowing strategy iv) Bringing forward to November 2022 capitalisation proposals for KGE along with blended mix of the above as to how the Council can facilitate transfer of completed residential schemes at a cost which is financially viable for KGE 	<p>ACTION IN PROGRESS (Reviewed November 2022): A number of investment assets have had their plans approved by Development Sub-Committee. A further batch of business plans will be taken in due course to Development Sub-Committee.</p> <p>ONGOING ACTION (Reviewed November 2022): Monitoring of Business Rates and Council Tax collection levels as part of monitoring the effect of current pressures such as the Cost-of-Living crisis on the collection fund. Regular reporting on collection rates to Corporate Debt Group and as part of KPI’s to Councillors.</p> <p>ACTION ADDED June 2022: 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</p>

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<p>challenge, as well as greater levels of anti-social behaviour leading to financial losses/reputational damage and diversion of Council scarce resources. This also adds greater pressure to Council services.</p> <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 against a wider backdrop of likely public spending cuts.</p>	(iv)4	(iv)3	<p>Above to be covered in a report going to CPRC on 28 November 2022.</p> <p>Longer term modelling to assess impact of stock market and pensions.</p> <p>Employer pension contributions for next three years will be confirmed in November 2022.</p> <p>Currently reviewing with Treasury Management advisors the borrowing strategy.</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>growth FTE bids except where required for statutory purposes or externally funded. Update at November 2022: The budget process for 2023/24 is underway.</p> <p>ACTION ADDED in June 2022: Due to undertake a review of sinking fund methodology and strategy during summer 2022. Update at November 2022: A review of sinking fund methodology and strategy is being undertaken. A report coming to Corporate Policy and Resources on 28 November 2022.</p> <p>ACTION ADDED in June 2022: Energy rebate scheme to support households with increased cost of living, led by Councils and introduced during quarter 1 of 2022/23. Reviewed November 2022: Mandatory Energy rebate allocations issued by end of September 2022. Last element of discretionary scheme to be issued</p>

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Risk Area	Likelihood	Impact	Current Control Measures and Mitigation	Risk or Issue Action Plan
			<p>Investment performance is monitored bi-monthly at weekly Councillor Assets Portfolio Working Group, and a quarterly performance report is produced for the Investment Portfolio</p> <p>Fortnightly Asset Portfolio Working meetings take place to monitor commercial asset income due/any shortfalls anticipated. (99.98% collection rate for 21/22).</p> <p>Currently 91% of the investment asset portfolio occupied.</p> <p>A number of investment assets have now had their Business Plans approved by the Development Sub-Committee.</p> <p>Counter Fraud strategies for the Council.</p>	<p>by end of November 2022 in line with Government deadline.</p> <p>Household Support Fund Phase 3 to be issued between November 2022 and March 2023.</p>
<p>C. HOUSING AND COMMUNITIES</p> <p>AMBER and RED RISKS</p> <p>(i) <u>Risk</u>: Increased levels of homelessness and greater</p>	(i)3	(i)3	<p>(i)Housing Service discuss options with tenants at the outset to minimize risks of landlord eviction.</p> <p>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>ACTION ADDED November 2022: The Council has expanded the</p>

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<p>demands for social housing. Some of the causes include greater threat of eviction due to financial pressures such as high inflation and increased interest rates felt by landlords and households attributed to the worsening Cost of Living Crisis. This is further 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) <u>Risk</u>: 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</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</p>	<p>capacity of the Citizen Advice to provide free advice and support to vulnerable clients and families. However, it is recognised that even with the expanded capacity there is still unmet demand for free and reliable advice in the community.</p>

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<p>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> <p>(iii) <u>Risk</u>: 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. This is being further exacerbated by the wider migrant crisis, as the statutory duty to house</p>	<p>(iii)4</p>	<p>(iii)3</p>	<p>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> <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. Costs incurred are being monitored and submitted to SCC / Home Office for reimbursement. Two Ukrainian support workers have been appointed. Families are being supported into privately rented accommodation with rent in advance and deposit payment funded externally by the Home Office.</p>	

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Risk Area	Likelihood	Impact	Current Control Measures and Mitigation	Risk or Issue Action Plan
migrants filters through to local authorities.				

Audit Committee

24 November 2022



Title	Interim Internal Audit Report
Purpose of the report	To note
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not Applicable
Corporate Priority	All Priorities: Community Affordable housing Recovery Environment Service delivery
Recommendations	Audit Committee is asked to: Note the Interim Internal Audit Report which summarises the work undertaken by the Service during the period April to October 2022.
Reason for Recommendation	Not applicable

1. Summary of the report

1.1 This report seeks to summarise the work undertaken by the Internal Audit Service during the period April to October. It includes reference to the following broad work categories in supporting the provision of assurance to the Council, as well as wider corporate (non-audit) responsibilities .

(a)Objective assurance assignments (audits)

(b) Support, advice, and insight across the authority on risk, control and governance issues

(c)Reporting to the Audit Committee and other requirements in adhering to the mandatory Public Sector Internal Audit Standards (PSIAS)

(d)Corporate Role – Corporate Risk Management

(e)Corporate Role –oversight of counter fraud (high risk public fraud)

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 Appendix A summarises objective assurance assignments and advisory reviews undertaken or in progress. This includes finalisation of outstanding assignments from 2021/22. Audit reports include recommendations aimed at reducing risks and strengthening internal controls, with an overall assurance opinion. Confirmation of recommendation status (agreed for implementation/implemented) has been recorded at Appendix A. Most audits remain ‘open’ as recommendations are outstanding. It is important that agreed recommendations are implemented within reasonable timeframes and further monitoring/follow up forms part of periodical reporting to the Audit Committee. Responsibility for maintaining adequate systems of internal control and implementing agreed audit recommendations rests with Managers, not Internal Audit.

2.3 In addition to planned objective assurance assignments , there are several other resource intensive areas of work undertaken by the team including additional corporate roles and responsibilities, details for which are set out at Appendix A. 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 by the Internal Audit Manager in accordance with the Committee work programme. This ensures adherence to the mandatory Public Sector Internal Audit Standards (PSIAS).
- (b) **Advisory Role** - Reactive and pro-active support, advice and insight provided to services, corporate groups and management team on various risk, control and governance 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 other services and partners. The Internal Audit Manager prepared an analysis of returns and savings achieved across high-risk fraud categories in the annual audit report of July 2022.
- (d) **Corporate Risk Management** - Analysis and reporting by the Internal Audit Manager on the Council’s Corporate Risk Register representing the Council’s most significant strategic risks. In promoting collective ownership and greater visibility of these risks, reports are also presented to Corporate Policy and Resources Committee further to meetings of the Audit Committee. This reporting has continued to evolve and develop in several ways, including format and presentation of the risk register,

reinforcing best practice approaches to assessing risk in line with the Council's risk management policy, and the re-introduction of a direction of travel on RAG status (assessed level of risk) and risk scoring as a trial to gauge support going forward.

- (e) **Council's adoption of a Risk Appetite Framework (RAF)**- The Internal Audit Manager continues to report on the ongoing development of a RAF to the Corporate Risk Management Group (CRMG), Management Team and the Audit Committee, and a proposed implementation timeline has been reported in July. The soft implementation phase has progressed well in terms of integration with the service planning process to promote familiarization with the concept and ascertain where each Service across the authority has positioned their risk appetite in relation to 'Service Provision'. Management Team have been asked to confirm the most opportune timing for the next phase of the implementation plan in terms of discussions with Members in setting an overall risk appetite for Spelthorne.

3. Options analysis and proposal

- 3.1 There are no options.

4. Financial implications

- 4.1 The Internal Audit Manager prepared an analysis of returns and savings achieved across high-risk fraud categories in the annual audit report of July 2022 for the period 2021/22 and that can be referred to as required. Spelthorne's overall fraud savings/fraud losses prevented for the period April to September 2022 amount to £179k (rounded). This is based on applicable financial savings advised by the NFI (Cabinet Office) across each of the high-risk public fraud categories.
- 4.2 Continued referrals of suspected fraud and pursuit of proactive and collaborative counter fraud initiatives accessible across all high-risk fraud categories will contribute to maximising financial returns.

5. Risk considerations

- 5.1 Implementation of audit recommendations and consideration of audit advice will reduce risks for the authority and enhance the robustness of the control environment, as well as contribute to continuous improvement which is acknowledged by the Council's Management Team and the Audit Committee.
- 5.2 Failure to undertake internal audit work to the required professional standards would lessen the reliability of assurance provision to the Council that effective systems of internal control are in place to manage risks. The Internal Audit Charter reinforces the importance of adhering to professional codes of conduct and audit standards, as well as other practices and principles underpinning an effective Internal Audit service.

6. Procurement considerations

- 6.1 Procurement activity for audit contractor resource to support delivery of the plan will be subject to seeking alternative quotations in accordance with procurement thresholds, supported by legal agreements with Service Providers.

7. Legal considerations

- 7.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory further to the Accounts and Audit (England) Regulations 2011. The PSIAS require reporting to the Audit Committee on key areas of internal audit activity and outcomes in supporting assurance provision.

8. Other considerations

- 8.1 There are none.

9. Equality and Diversity

- 9.1 Equality, Diversity, and Inclusivity has been included on the Council's Corporate Risk Register from November 2022 and may be considered as part of future audit work programmes. This is dependent on the audit needs assessment and continued prioritisation in targeting resources to areas representing greater risk for the Council.

10. Sustainability/Climate Change Implications

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

11. Timetable for implementation

- 11.1 Implementation of agreed audit recommendations within target timescales advised by Managers and audit status (open or closed) will continue to be monitored and reported as part of the follow up process.

12. Contact

- 12.1 Punita Talwar, Internal Audit Manager.

p.talwar@spelthorne.gov.uk

01784 446454

Background papers: There are none.

Appendices:

Appendix A – Work summary for the Internal Audit Service April to October 2022

Appendix A to Interim Audit Report – Audit Committee November 2022. Work summary for the Internal Audit Service April to October 2022

The role of **Internal Audit** is to provide independent **assurance** that an organisation's risk management, governance and **internal** control systems and 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).

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

~ RECOMMENDATIONS (Column 4 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.

Appendix A to Interim Audit Report – Audit Committee November 2022. Work summary for the Internal Audit Service April to October 2022

Audit Review	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations or issues/observations arising	#Current Status of recommendations / implementation
2021.22 OBJECTIVE ASSURANCE ASSIGNMENTS – YOUR RESPONSES REQUIRED PLEASE TO ENABLE ISSUE OF FINAL AUDIT REPORTS				
<p>1. Commercial Assets and Investments. This incorporates a review of Blue Box Software (commercial income strand)</p> <p>Draft report - July 2022. All findings discussed and agreed with former Property Development Manager, and relevant areas raised and discussed with Chief Accountant and Chief Finance Officer.</p>	<p>Some Improvement Needed</p>	<p>Until the new Group Head for Assets is appointed, Deputy CX (Lee O’Neil) is operational lead for Assets and CX (DM) is the strategic lead for Assets.</p>	<p>Internal Audit Recommendations from this assurance assignment have previously been reported to the Audit Committee in July 2022 as part of the Annual Audit Report for 2021.22. To summarise they relate to transferring all the accounting actions regarding rental income currently undertaken within “Blue Box” to Centros (Council’s central financial system) with a view to improving resilience, robustness, and efficiency. Other recommendations raised are around enhancing the security and training arrangements for Blue Box software.</p>	<p>Open Audit</p> <p>The Chief Finance Officer has agreed the primary recommendation - to give consideration to transferring all accounting systems undertaken with Blue Box into Centros. This will be discussed further once the new Group Head for Assets is in place.</p> <p>The Chief Finance Officer has agreed that improved resilience arrangements for Blue Box software will be explored with the new Group Head for Assets (the risks associated with this recommendation would be reduced if the</p>

				primary recommendation is fully implemented). 15.11.22. The Internal Audit Manager has been informed that Officers are imminently addressing outstanding responses to five further audit recommendations.
<p>2. Property Development</p> <p>Draft report – June 2022</p> <p>Content discussed and agreed with Richard Mortimer (Asset Management Contractor) as lead officer in June 2022</p>	Some Improvement Needed	Until the new Group Head for Assets is appointed, Deputy CX (Lee O’Neil) is operational lead for Assets and CX (DM) is the strategic lead for Assets.	<p>A significant issue (as reported at the time of the audit) 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"> (i) Financial viability of schemes (ii) Council’s budgetary and financial position/sustainability (iii) Shortfalls in meeting Housing development targets (iv) Insufficient affordable housing provision and delivery of programme (iv) Housing need not met directly impacting achievement of corporate priorities. 	<p>Closed Audit - no audit recommendations arising.</p> <p>To finalise, DCX (LO) to provide formal report sign off as operational lead for Assets. It is noted that CX (DM) is the current strategic lead for Assets.</p> <p>15.11.22. The Internal Audit Manager has been informed that Officers are imminently addressing/signing off.</p>

Appendix A to Interim Audit Report – Audit Committee November 2022. Work summary for the Internal Audit Service April to October 2022

<p>3.Treasury Management</p> <p>Draft report - July 2022.</p> <p>Final report – to be issued imminently</p>	<p>Some Improvement Needed</p>	<p>Chief Accountant</p>	<p>Internal Audit Recommendations from this assurance assignment have previously been reported to the Audit Committee in July 2022 as part of the Annual Audit Report for 2021.22.</p>	<p>Open Audit</p> <p>Management responses received to all audit recommendations along with target dates for implementation of agreed actions.</p>
<p>4.Council Tax</p> <p>Final Report – November 2022.</p>	<p>Some Improvement Needed</p>	<p>Group Head Commissioning & Transformation</p>	<p>Internal Audit Recommendations from this assurance assignment have previously been reported to the Audit Committee in July 2022 as part of the Annual Audit Report for 2021/22.</p>	<p>Open Audit</p> <p>All recommendations are agreed in principle with target for implementation advised as 31.3.2023 by Group Head Commissioning and Transformation.</p>
<p>5.Cyber Security</p> <p>Draft Report - October 2022</p> <p>Final audit report to be issued shortly further to</p>	<p>Some Improvement Needed</p>	<p>Group Head Commissioning & Transformation</p>	<p>Recommendations have been discussed and management responses have been received. These are included here.</p> <p>1.ICT management to document key significant ICT risks and mitigating controls as part of an appropriate risk register and ensure that this undergoes</p>	<p>Open Audit</p> <p>1.Agreed.The risk register is partially written and, workloads permitting, will be done by the end of the</p>

Appendix A to Interim Audit Report – Audit Committee November 2022. Work summary for the Internal Audit Service April to October 2022

<p>discussion in one area.</p>			<p>regular scrutiny. In addition, as part of the annual service planning process across the Council, Managers are required to consider service level risks and how these are being managed.</p> <p>2. ICT management to review and update Information Security framework policies and procedures.</p> <p>3. ICT management to continue to liaise with senior management/ department managers to ensure all staff have completed the required training.</p> <p>4. ICT management to disable relevant account as advised in the report.</p> <p>5. Management to incorporate reference to logging and monitoring requirements and controls as part of a formal policy.</p> <p>6. Discussions have taken place regarding supply chain security and scope to enhance controls further.</p>	<p>year.</p> <p>2. Agreed and in progress.</p> <p>3. Already regularly addressed and awaiting a steer from the Management Team.</p> <p>4. Agreed for immediate action.</p> <p>5. Agreed for target January 2023.</p> <p>6. Under discussion.</p>
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			<p>7.The annual Disaster Recovery (DR) test exercise should be used to enhance cyclical monitoring and review in updating and improving the DR plan and supporting documents.</p> <p>8.ICT management to review and update password security settings.</p> <p>9.It is recommended that The Group Head (Commissioning and Transformation) review a number of items listed in the report to gain further management assurance that there are no issues to be addressed in these areas. (This recommendation has arisen in the context of audit evidence)</p>	<p>7.Next DR test scheduled for end November 2022 to be followed by documenting of the process and outcomes targeted for January 2023.</p> <p>8.Implemented.</p> <p>9.The ICT Manager has confirmed all items are in place and can be evidenced if required.</p>
<p>6.Economic Development (Strategic elements)</p> <p>Final report – September 2022</p>	<p>Effective</p>	<p>Group Head Regeneration & Growth</p>	<p>One recommendation was raised relating to performance data in the refreshed Economic Prosperity strategy: Measurable targets should be identified for all relevant action points to allow for objective performance monitoring in all cases.</p>	<p>Closed Audit. Management have advised at October 2022 the recommendation has been implemented. All the actions are now reviewed to ensure that those few that are missing specific targets have clearly defined objectives.</p>

2022.23 OBJECTIVE ASSURANCE ASSIGNMENTS AND ADVISORY REVIEWS				
1. Safeguarding Final report – November 2022	Some Improvement Needed	Deputy Chief Executive (Terry Collier)	<p>(1) Given that previous attempts to encourage Surrey County Council to provide a consistent record of the outcome of every referral have not proved successful, the Deputy Chief Executive should raise this issue at the relevant Safeguarding Strategic Forum to ensure greater support is given to moving this matter forward.</p> <p>(2) The Leisure Services Manager should ascertain what steps should be taken to incorporate within case records, a brief synopsis from Surrey County Council, not only to acknowledge the referral but to address it as well. This will demonstrate a greater level of management assurance around outcomes.</p>	<p>Open Audit. (1) Actioned. The DCX has raised this matter and it may also be raised at another strategic forum as deemed necessary.</p> <p>(2) Agreed and to be actioned.</p>
2. KGE - Health and Safety (Unplanned)	N/A – Position Statement	Deputy Chief Executive (Terry Collier) / Deputy	Recommendations have been raised and discussed with the lead officer, to take forward with the KGE Board.	<p>Open</p> <p>Recommendations agreed with target for</p>

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additional work area - Advisory Review) Draft Position Statement September 2022		Chief Executive (Lee O’Neil)/ KGE		January 2023, subject to further discussion with KGE Board.
3. Recruitment and Retention Position Statement July 2022	N/A – Position Statement	Group Head Commissioning & Transformation	The Position Statement acknowledged established controls and measures underway (also set out in the Corporate Risk Register). It is deemed more appropriate to periodically ascertain any key developments in this area given that mitigating measures to alleviate significant recruitment and retention challenges form a ‘Work In Progress’. Internal Audit will be undertaking some further work during 2022/23.	N/A
4.Additional Restriction Grants Final report – November 2022		Group Head Regeneration & Growth	(1).Collation of all evidence regarding correspondence and discussions with BEIS in respect of the appropriate use of ARG funds. Once this task is completed, it should be made accessible on a shared / team drive. (2). From discussions with the Group Head Regeneration and Growth, it is agreed that going forward in	Open Audit 1. Advised this is now completed.

Appendix A to Interim Audit Report – Audit Committee November 2022. Work summary for the Internal Audit Service April to October 2022

			continuing to safeguard public funds and the Authority’s interests it would be useful to draw up a checklist of key actions that may be required should further schemes of this nature arise again. This could be applied across relevant departments of the Authority. Some of the measures to incorporate are set out in the full audit recommendation.	2. Discussed and acknowledged.
5. Corporate Health and Safety		Senior Environmental Health Manager	Some of the key issues have been communicated where there is scope for improvement. These relate to recording and reporting of Health & Safety incidents, accidents and near misses, proactive monitoring in mitigating risk of occurrence, Health & Safety training, and emerging risk areas. To arrange further discussions with lead Manager in due course.	Open Audit
OBJECTIVE ASSURANCE ASSIGNMENTS COMMENCED AND IN PROGRESS				
<ul style="list-style-type: none"> • Business Rates • Whistleblowing • Air Contamination 				

OTHER CORPORATE ROLES & RESPONSIBILITIES
1.CORPORATE RISK MANAGEMENT
Analysis and reporting by the Internal Audit Manager on the Council’s Corporate Risk Register representing the Council’s most significant strategic risks. In promoting collective ownership and greater visibility of these risks, reports are also presented to Corporate Policy and Resources Committee further to meetings of the Audit Committee. This reporting has continued to evolve and develop in several ways, including format and presentation of the risk register, reinforcing best practice approaches to assessing risk in line with the Council’s risk management policy, and the re-introduction of a direction of travel on RAG status (assessed level of risk) and risk scoring as a trial to gauge support going forward.
2. THE COUNCIL’S ADOPTION OF A RISK APPETITE FRAMEWORK (RAF)
Delivered soft implementation of the Council’s adoption of a Risk Appetite framework and promoted ongoing development through reporting and communications. The Internal Audit Manager continues to report on the ongoing development of a RAF to the Corporate Risk Management Group (CRMG), Management Team and the Audit Committee, and a proposed implementation timeline has been reported in July. The soft implementation phase has progressed well in terms of integration with the service planning process to promote familiarization with the concept and ascertain where each Service across the authority has positioned their risk appetite in relation to ‘Service Provision’. Observations have been highlighted in terms of how this compares with the initial Officer assessment of where the Council’s risk appetite is most likely to be positioned for ‘Service provision’. Management Team have been asked to confirm the most opportune timing for the next phase of the implementation plan in terms of discussions with Members in setting an overall risk appetite for Spelthorne.
3.COUNTER FRAUD
Coordination and reporting of counter fraud outcomes and initiatives for tackling high risk public fraud through continued collaborative working with other services and partners. Providing advice and oversight to ensure that processes for documenting and raising referrals as well as monitoring continue to remain robust. The Internal Audit Manager prepared an analysis of returns and savings achieved across high-risk fraud categories in the annual audit report of July 2022. Spelthorne’s overall fraud savings/fraud losses prevented for the period April to September 2022 amount to £179k (rounded). This is based on applicable financial savings advised by the NFI (Cabinet Office) across each of the high-risk public fraud categories.

<p>4.AUDIT COMMITTEE AND REPORTING</p> <p>Several reports are produced and presented by the Internal Audit Manager in accordance with the Committee work programme. This ensures adherence to the mandatory Public Sector Internal Audit Standards (PSIAS). This includes for the period :</p> <ul style="list-style-type: none"> -Producing the evidence based annual audit opinion for 2021/22 in conjunction with the key themes and issues arising from Internal Audit’s work as set out in the annual audit report .This feeds directly into the Annual Governance Statement which the Internal Audit Manager also had significant input to. -Annual Review of Internal Audit Effectiveness -The Council’s risk exposure to wider externalities and the impact for the Council (reported at every Audit Committee meeting) - Corporate Risk Register (reported at every Audit Committee meeting and extended to Corporate Policy and Resources from April) -The Council’s adoption of a risk appetite framework -Refreshed Internal Audit Plan for 2022/23 -Review and updating of the Audit Charter setting out the purpose, authority, and responsibilities of Internal Audit <p>Member Liaison and responses to questions raised.</p>
<p>5.AUDIT SUPPORT, ADVICE AND INSIGHT</p> <p>Reactive and pro-active support, advice and insight provided to services, corporate groups and management team on various risk, control and governance issues . Attendance at Working Groups in an advisory capacity such as Corporate Risk Management Group and the Corporate Debt Group.</p>
<p>6.GRANT CERTIFICATION WORK</p> <p>In complying with central government grant conditions, there is a requirement for the Internal Audit Manager to undertake reasonable validation, review and assessment to enable signed declaration for submission and this was undertaken in two separate areas including COMF and Test and Trace payments.</p>
<p>7.OTHER TASKS IN SUPPORTING SERVICE DELIVERY</p> <p>Corporate Processes – such as production and presentation of Service Plans to MAT/Admin Committee/CPRC; Budget monitoring; Performance management etc.</p>

Team management /1-1's / Training and Continuous Professional Development

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Audit Committee



24 November 2022

Title	Review of the Confidential Reporting Code (Whistleblowing policy)
Purpose of the report	To note
Report Author	Farida Hussain, Monitoring Officer
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not applicable
Corporate Priority	This item is not in the current list of Corporate Priorities but still requires reporting to Committee.
Recommendations	<p>Committee is asked to:</p> <p>Note that the review of the Confidential Reporting Code by the Monitoring Officer has taken place and agree to retain the current policy.</p>
Reason for Recommendation	The current code is fit for purpose and covers all relevant matters.

1. Summary of the report

- 1.1 This report seeks to advise and update members on the outcome of the annual review of the Confidential Reporting Code by the Monitoring Officer.

2. Key issues

- 2.1 The Confidential Reporting Code forms part of the Council's Constitution and sets out how to raise serious concerns about any aspect of the Council's work. It also sets out legal protection against reprisals under the Public Interest Disclosure Act.
- 2.2 There is a requirement for the Confidential Reporting Code to be reviewed annually by the Council's Monitoring Officer and this is then reported to the Audit Committee.
- 2.3 The Code details:
- The nature of concerns which may be reported. (Section 2)
 - Other policies such as the Grievance Procedure which exist to deal with employment issues including bullying or harassment. (Section 2)

- (c) Safeguards against harassment or victimisation as a result of raising a concern. (Section 3)
 - (d) Processes for raising and dealing with concerns including the various officers and organisations who could be contacted. (Sections 7 to 10)
- 2.4 In November 2020 a review of the Code was reported to the Audit Committee with proposed amendments following a benchmarking exercise. The amendments to the Code were agreed and have been in place since adoption by the Council.
- 2.5 The benchmarking exercise also identified improvements in
- (a) testing staff awareness of and confidence in the whistleblowing arrangements and the mechanisms by which they can raise concerns; and
 - (b) regular training for all staff on the arrangements, and line managers on their role in relation to handling concerns raised by staff.
- 2.6 The whistleblowing arrangements are currently communicated via different media: indirectly through the intranet and posters on staff boards, as well as directly via presentations at staff meetings. This level of communication is considered appropriate for the size and limited variance in work cultures of staff at the Council. A presentation is due to be provided by the Monitoring Officer at the next staff meeting in November 2022.
- 2.7 An anonymous survey is being compiled for release in January 2023, to test staff on their awareness of and confidence in the whistleblowing arrangements. The results will be reported back to the Audit Committee at a future meeting.
- 2.8 The Monitoring Officer has made enquiries about providing a training module through the Council's existing staff training platform and will provide an update on progress with this at the Committee meeting.
- 2.9 The Monitoring Officer has concluded that the Council's current whistleblowing arrangements are effective and do not require amendment. The current Confidential Reporting Code is at Appendix A. It includes minor amendments to reflect staffing changes and inclusive language.
- 3. Options analysis and proposal**
- 3.1 The Audit Committee can agree to continue with the current code or can recommend suggested amendments. If there are suggested amendments these will need to be recommended to the Council for consideration.
- 4. Financial implications**
- 4.1 Not applicable.
- 5. Risk considerations**
- 5.1 The number of concerns raised under the Confidential Reporting Code are considered to be fairly low . The Monitoring Officer is establishing a central register going forward to support improved logging and measurement, which will also highlight any recurrent concerns being raised that require attention.
- 5.2 This report sets out planned approaches for promoting awareness and understanding of the Confidential Reporting Code to encourage officers to feel comfortable about raising concerns.

5.3 This report sets out planned approaches for promoting awareness and understanding of the Confidential Reporting Code to encourage officers to feel comfortable about raising concerns

6. Procurement considerations

6.1 Not applicable.

7. Legal considerations

7.1 The Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998) provides protection to employees who raise awareness about malpractice in the workplace.

7.2 The Confidential Reporting Code is a key document found at Part 5 of the Council's Constitution.

8. Other considerations

8.1 There are none.

9. Equality and Diversity

9.1 The Code is accessible by all.

10. Sustainability/Climate Change Implications

10.1 There are none.

11. Timetable for implementation

11.1 If the Audit Committee agree that no changes are required, the policy will continue to apply. If amendments are recommended, these would not come into effect until adopted by Council.

12. Contact

12.1 Farida Hussain f.hussain@spelthorne.gov.uk.

Background papers: There are none.

Appendices:

Appendix A – current Confidential Reporting Code

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Appendix A

CONFIDENTIAL REPORTING CODE (Whistleblowing)

1. INTRODUCTION

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

2. AIMS AND SCOPE OF THIS CODE

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

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Confidential Reporting Code

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

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

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

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

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

2.4 This Code does not replace the corporate complaints procedure.

2.5 Concerns regarding councillors may be dealt with under the Members' Code of Conduct.

3. SAFEGUARDS

Harassment or Victimisation

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

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

3.3 The Council will not tolerate any harassment or victimisation (including informal pressures) of someone raising something of concern to them and if proven will take appropriate action, including disciplinary procedures to protect you against this when you raise a concern in good faith. If you consider that you are the subject to harassment or victimisation (including informal

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pressures) due to the raising of your concern you should inform the person dealing with your whistleblowing matter or any other officer named in this policy.

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

4. CONFIDENTIALITY

- 4.1 If someone asks for a matter to be treated in confidence, then we will do our utmost to respect that request. However, it is not possible to guarantee confidentiality. If we are in a position where we cannot maintain confidentiality and so have to make disclosures, we will discuss the matter with you first. We will give you feedback on any investigation and be sensitive to any concerns you may have as a result of any steps taken under this procedure.
- 4.2 In some circumstances the Council may decide that we have to reveal your identity in order to assist in the investigation into the matter. You will be advised beforehand if this is to be the case. Your prior consent will be obtained before such disclosure, unless we have to disclose your identity by law (e.g. safeguarding concerns, money laundering or other criminal offences).

5. ANONYMOUS ALLEGATIONS

- 5.1 This Code encourages you to put your name to your allegation whenever possible. Remember, if you do not tell us who you are it will be much more difficult for us to investigate the matter fully, to ask follow-up questions, to protect your position or to give you feedback.
- 5.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.
- 5.3 In deciding whether to consider anonymous concerns the following are some of the factors which will be taken into account:-
- the seriousness of the issues raised
 - the credibility of the concern; and
 - the likelihood of confirming the allegation from attributable sources

6 UNTRUE ALLEGATIONS

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

7 HOW TO RAISE A CONCERN

- 7.1 As a first step, you should normally raise concerns with your immediate manager or their manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your management is involved, you should

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approach the Chief Executive, Chief Finance Officer, Monitoring Officer, or Audit Services.

7.2 Concerns may be raised verbally or in writing. If you wish to make a written report it is best to use the following format:

- the background and history of your concern (giving relevant dates);
- the reason why you are particularly concerned about the situation.

7.3 The earlier you express your concern the easier it is to take action.

7.4 Although you are not expected to prove beyond doubt the truth of an allegation you make, you will need to demonstrate to the person you contact that there are reasonable grounds for your concern.

7.5 You can obtain advice/guidance on how to pursue matters of concern from:

Chief Executive	Daniel Mouawad	(01784 446250)
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Chief Finance Officer	Terry Collier	(01784 446296)
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Deputy Chief Executive	Lee O'Neil	(01784 446377)
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Monitoring Officer	Farida Hussain	(01784 446248)
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Internal Audit Manager	Punita Talwar	(01784 446454)
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Human Resources Manager (where specifically relates to a Human Resources matter)	Debbie O'Sullivan	(01784 446289)
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7.6 In addition you could contact any of the following:-

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

Protect - This is a registered charity which seeks to ensure that concerns about serious malpractice are properly raised and addressed in the workplace and they can be contacted on 020 3117 2520; or

Your trade union or professional body.

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

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

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8. HOW THE COUNCIL WILL RESPOND

- 8.1 The Council will always respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.
- 8.2 If you raise a concern with your manager which they feel is beyond the scope of their authority or of a serious nature they will refer it to the Monitoring Officer rather than dealing with it personally.
- 8.3 Where appropriate, the matters you raise may:
- be investigated by managers, audit services, or through the disciplinary process
 - be referred to the police
 - be referred to the external auditor
 - form the subject of an independent inquiry.
- 8.4 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle for the Council is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example grievance or sexual harassment) will normally be referred for consideration under those procedures.
- 8.5 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 8.6 Within ten working days of a concern being raised, the manager with whom you raise your concern or the Monitoring Officer will write to you:
- acknowledging that your concern has been received
 - indicating how the Council propose to deal with the matter
 - giving an estimate of how long it will take to provide a final response
 - telling you whether any initial enquiries have been made
 - supplying you with information on staff support mechanisms, and
 - telling you whether further investigations will take place and if not, why not.
- 8.7 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.
- 8.8 Where any meeting is arranged, which can be away from the offices or your place of work if you so wish, you can be accompanied by a union or professional association representative or a friend.
- 8.9 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.

Reviewed November 2021

Updated October 2022

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

9. THE RESPONSIBLE OFFICER

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

10. HOW THE MATTER CAN BE TAKEN FURTHER

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

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

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

11. POLICY REVIEW

11.2 This policy will be reviewed annually by the Council's Monitoring Officer to ensure the effectiveness of the policy and the findings will be reported to the Audit Committee.

Audit Committee

24 November 2022



Title	Procurement Actions Update Report
Purpose of the report	To note
Report Author	Hilary Gillies, Interim Head of Procurement
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to: Note and provide feedback on progress of the actions in the Procurement Action Plan.
Reason for Recommendation	<i>The report seeks to assure the Audit Committee that adequate Procurement controls are provided for with the procurement strategy, policies and procedures.</i> <i>Progress against actions on the Procurement Action Plan is being presented to the Audit Committee to provide assurance of compliance with Contract Standing Orders (internal financial regulations), and with the Public Contract Regulations 2015 (procurement legislation).</i>

1. Summary of the report

- 1.1 This report seeks to update the Audit Committee on the progress against the Procurement Action Plan, and to provide assurance to the Committee that adequate procurement controls are in place.
- 1.2 Several key actions have been identified and are being addressed in the Procurement Action Plan. This report provides progress updates against the key actions.

- 1.3 The report also provides an update to the Audit Committee on the various Procurement policies in place to support officers and provide assurance of best practice and the achievement of value for money.

2. Background Information

- 2.1 Spelthorne Borough Council (SBC) operates a 'devolved' approach to procurement, operating with a small, central Corporate Procurement team providing support for procurement projects where the value of the project is £40k or above.
- 2.2 Where the value is under £40k, officers can run procurement projects without support from Corporate Procurement. However, to assist officers and provide assurance of control and compliance, Corporate Procurement has drafted a suite of documents including a Procurement Strategy, Procurement Policy and various procedures outlining process requirements. Other procedures are in development. All are listed at Appendix A.
- 2.3 Procurement within SBC is controlled by the Council's Contract Standing Orders (CSOs), the internal financial regulations which set out levels of approval for certain thresholds of spend and outline clear rules for the procurement of goods, works and services. The CSO's are set out at Appendix B.
- 2.4 SBC is also subject to the Public Contracts Regulations 2015. This legislation regulates the procurement by public sector bodies of contracts for goods, works and services above certain thresholds (£213,477 for goods and services and £5,336,937 for works).

3. Internal Audit of Procurement

- 3.1 An internal audit of Procurement was last carried out in 2018/19.
- 3.2 The original level of assurance given in respect of the Procurement function for 2018/19 was 'Major Improvement Needed'.
- 3.3 However, the follow-up review in January 2021 established that improvement had been made in some of the high-risk areas and that a number of recommendations were targeted to be implemented by the end of April / May 2021. However, these relied on the wholesale review of the Council's Constitution, including an essential update of the Contract Standing Orders.
- 3.4 The level of assurance given in respect of the Procurement function in January 2021 was 'Some Improvement Needed'. A few specific control weaknesses were noted; generally however, the controls evaluated were deemed to be adequate, appropriate and effective to provide reasonable assurance that risks were being managed and objectives could be met.
- 3.5 Since January 2021, there has been a significant amount of activity contributing to the improvement in procurement performance, not least the update to the Constitution and the CSOs to provide clearer internal approval thresholds and processes. This has enabled the development of the procurement processes which naturally flow from the CSOs.
- 3.6 The Procurement Strategy, Policy and 6 procurement procedures were developed and then approved by the Administrative Committee in October

2021. These were due for review in October 2022 and have been updated (if and where necessary). The updated procedures will be presented to the Administrative Committee in January 2023, in addition to a further 4 new procedures (see list at Appendix A).

- 3.7** The next Procurement Internal Audit is due in Q4 of 2022/23. It is understood that the review will focus on identifying any emerging risks and consider the robustness of systems of internal control. It will also consider the level of compliance with procurement regulations and internal policies. Mechanisms in place to analyse procurement spend with a view to generating efficiencies will also be considered.

4. Key Issues

- 4.1** A number of key actions are required to improve compliance and control in procurement activity across the Council, and these are detailed in the Procurement Action Plan as below:

- (a) Improve SBC's contract data, contract management and adherence to the Local Government Transparency Code obligations
- (b) Ensure Procurement is sufficiently resourced to support Procurement projects, in accordance with Contract Standard Orders
- (c) Manage and maintain Corporate Procurement policies and procedures, including the Procurement Strategy, Procurement Policy and all other procurement procedures approved in October 2021, and draft new policies as required
- (d) Reinststate the Procurement Project Board to ensure that Procurement, Legal and Finance have early sight of all projects over £40k
- (e) Ensure Corporate Procurement has early visibility of Service Plans for all Services
- (f) Improve compliance with the Council's Contract Standing Orders and monitor non-compliance (exemption reports, etc.)
- (g) Ensure SBC is prepared for the changes implied by the emerging new Procurement Bill, expected in March 2023.

5. Progress against key actions

5.1 Improve contract data, contract management and adherence to the Local Government Transparency Code

The Transparency Code requires that Local Authorities publish data on how money is spent; use of assets; decision making etc. Procurement and contracts information should be regularly published on the website.

- All live and recently expired contracts have been published up to and including the end of September 2022. Going forward, we will publish information on any newly tendered contracts monthly and within two weeks of the end of the previous month.

- At the moment, reviewing contracts for transparency and contract continuity purposes is a manual and resource intensive process; however, Corporate Procurement is in the process of procuring a new e-tendering and contract management system which will accelerate the process.
- A key focus for the Corporate Procurement team now is the review of contract arrangements for key service contracts, considering whether the scope of the contract is still valid, and where there may be opportunities for cashable savings.

5.2 Ensure Procurement is resourced to support procurement projects

SBC's contract standing orders require that the Corporate Procurement team support all procurement projects with a value of £40k or more, although Corporate Procurement has a key objective to achieve value for money through all of our procurement activity.

This requires that the team is sufficiently resourced to be able to provide wider support, often with technical expertise in critical areas.

- Corporate Procurement is in the process of recruiting to the Procurement Assistant post, approved in the 2022/23 budget. A conditional offer has been made and it is anticipated that the postholder will be able to start in early December '22. The Assistant will support procurement reporting, contract register maintenance and procurement resource and project planning. A saving of £12k was made against the approved growth bid budget for the 18-month period.
- Recognising the criticality of procurement to the successful delivery of SBC's Assets projects, we are implementing a category management approach to procurement to allow greater focus and support on Assets projects specifically. We will review other key areas and propose additional resource if and when needed.
- There are currently over 30 live procurement projects across all services on the Procurement Plan, with more to be added as service plan projects, contract renewals and growth bids are added.

5.3 Manage and maintain Corporate Procurement policies and procedures

In October 2021, the Administrative Committee approved six procurement policies, the Procurement Strategy and Procurement Policy, with a review date of October 2022.

- The strategy, policy and procedures have all been updated and an additional four policies are being drafted for consideration and approval at the Administrative Committee in January.

5.4 Reinstate the Procurement Project Board to ensure that Procurement, Legal and Finance have early sight of all projects over £40k

The Procurement Project Board (PPB) was reinstated in September and at the time of writing has met twice to consider projects in advance of their

progression to formal approval (MAT, Committee and Council as appropriate, providing assurance to the decision-making Board that the project has been fully assessed through legal, commercial and project management 'lenses'.

5.5 Ensure Corporate Procurement has early visibility of 2023/24 Service Plans for all Services

Corporate Procurement has all the service plans submitted for approval by MAT, and any proposed procurement projects have been added to the Procurement Action Plan (subject to their approval within the 2023/24 budget). This earlier visibility allows for more effective procurement resource planning.

5.6 Improve compliance with the Council's Contract Standing Orders (CSOs)

Corporate Procurement intends to monitor compliance with CSOs in several of ways: including reviewing the numbers of exemption reports; reviewing spend data against contracted values; and ensuring that any spend of <£5k is with local providers.

Responsibility for data collection and reporting will sit with the new Procurement Assistant postholder and they will produce quarterly performance reports for circulation at Procurement Project Board and Committee level. The team is currently collecting baseline data against which further performance will be reported.

Corporate Procurement has recently carried out Procurement update briefings at Corporate Policy and Resources Committee and at the Staff Meeting and Managers' Briefing. The briefings included information about Contract Standing Orders and approvals and procurement processes and spend thresholds.

5.7 Ensure SBC is prepared for the changes implied by the emerging new Procurement Bill, expected in March 2023

The reforms proposed within the new Procurement Bill represent significant changes to public sector procurement, to make public procurement quicker, simpler, more transparent and more commercially-focused.

- The reforms include a strong focus on "value for money, public benefit, transparency and integrity" at the heart of public sector procurement and will modernise procurement systems and processes. These principles align with the value for money and financial considerations which SBC applies to each development scheme.
- Corporate Procurement is reviewing the proposed changes and will ensure that SBC is informed and prepared to implement any changes required when the Bill comes into force (currently expected March 2023 but may be subject to change).

6.0 Financial implications

6.1 The improvements and actions outlined in this report are focused on the key procurement objective of achieving value for money. As we move towards improvements in contract management, we will also be looking to achieve cashable savings across the Council through contract efficiencies.

7.0 Risk considerations

7.1 The actions contained in this report are aimed at reducing risk, such as the risk of supplier challenge and risk of not delivering value for money, and risks associated with non-compliance with internal and external regulations and legislation.

8.0 Procurement considerations

These are covered within the report.

9.0 Legal considerations

9.1 Corporate Procurement works closely with Legal Services on all of these actions.

10.0 Other considerations

10.1 Pertinent considerations have been covered above

11.0 Equality and Diversity

11.1 Equality, diversity and inclusion are considered within the procurement policies and procedures referenced above. Additionally, equality and diversity considerations are embedded within the tender processes.

12.0 Sustainability/Climate Change Implications

12.1 Sustainability, Social Value, Climate Change and other environmental issues are considered within the procurement policies and procedures referenced above, and in all procurement projects as appropriate for the project value.

13.0 Timetable for implementation

13.1 The Procurement Action Plan, and the actions identified in this report are ongoing on a cycle of continuous improvement. New key actions, such as those generated by the Cashable Savings Working Group, are being added, and will be covered in the next update report.

14.0 Contact

14.1 Please contact Hilary Gillies h.gillies@spelthorne.gov.uk

15.0 Background papers: There are none.

Appendices:

Appendix A – Procurement Policies and Procedures listing
Appendix B – Contract Standing Orders

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Appendix A
SBC PROCUREMENT POLICIES AND PROCEDURES

DATE: October 2022

Policy / Procedure	Development Status	Review Date	Status
01_ Procurement Policy	LIVE	October 2022	Reviewed and updated
02_ Developing the Procurement Plan	LIVE	October 2022	Reviewed and updated
03_ Delivering Social Value through Procurement	LIVE	October 2022	Reviewed and updated
04_ Advertising and Reserving Spelthorne Procurement Opportunities	LIVE	October 2022	Reviewed and updated
05_ Using SBC's Framework Agreements	LIVE	October 2022	Reviewed and updated
06_ Managing Contracts	LIVE	October 2022	Reviewed and updated
07_ Request for Quote and Tender Process	LIVE	October 2022	Reviewed and updated
08_ Procurement Due Diligence Checklist (Suppliers)	IN DEVELOPMENT		
09_ Managing Risk in Procurement projects	IN DEVELOPMENT		
10_ Drafting a Specification of Requirements	IN DEVELOPMENT		
11_ Exemption Reporting	IN DEVELOPMENT		
Contract Standing Orders and Financial Regs	LIVE		
Procurement Strategy	LIVE		Reviewed and updated
Template: Specification of requirements	LIVE		Reviewed and updated
Template: RFQ (small value projects)	LIVE		Reviewed and updated
Template: Exemption Report	LIVE		Reviewed and updated

PLAN

- Communications with GHs and Managers - HG
- Timetable (for reviews, feedback and rewrite) - CI
- Committee approval process and lead in – Committee on 7/10. Needs to go to MAT first, then comments to be taken into account, then to Committee with the associated lead in periods – CI / HG
- Draft Comms for Spelnet - CI

APPENDIX B - CONTRACT STANDING ORDERS PROCEDURAL RULES

Whole Life Contract Value	Level of Authority to Proceed required	Support Required from Procurement Team?	Procurement Process				Approval to Award Contract	Contract Required?
			Advertising the Opportunity	Approach to Market	Testing Market Capability	Evaluation by		
Under £5000	Budget Holder	No	Opportunity does not need to be advertised.	Local ¹ suppliers must be sought. If no Local supplier can be found, then Regional ² suppliers should be sought. If the selected supplier is not Local or Regional then approval to proceed must be sought from Group Head, and the variation must be added to the Exemption Report	Selected supplier(s) confirms price in writing / email in advance.	Budget Holder	No further approval required	No. Invoices and quotes to be retained in accordance with the retention policy.
£5,000 - £40,000	Procurement Business Case is approved by Group Head	No, except where the opportunity is to be advertised	Advertising of the opportunity is not required but if the value is over £25k and is advertised, it must also be placed on Find a Tender	Requirement communicated to supplier(s) and confirmed in writing	A minimum of three written quotes to be obtained and retained on file	Budget Holder	Group Head	Yes. Support from Legal Services required.

¹ Local is defined as within the Borough of Spelthorne.

² Regional is defined as in the wider county of Surrey.

			Services (FTS)					
£40,000 – PCR 2015 threshold	Procurement Business Case and Procurement process must be approved by Group Head & MAT	Yes. Project needs to be discussed at Procurement Board and put on Procurement Project Plan.	Contract advertised on e-sourcing portal and on Find a Tender Services (FTS).	Specification with required outcomes and outputs in Request for Quote (RFQ).	A minimum of three suppliers to be invited to tender, with full tender process	Project Lead with Procurement	Deputy Chief Exec or Service Committee (where the requirement is strategic / critical)	Yes. Support from Legal Services required. Contract made under seal if over £100,000)
Over PCR 2015 threshold ³	Procurement Business Case and Procurement process approved by Group Head, MAT and appropriate Service Committee. Project must be on the Forward Plan.	Yes. Project needs to be discussed at Procurement Board and put on Procurement Project Plan.	Opportunity must be advertised with a Contract Notice in Find a Tender Services (FTS) via the e-sourcing portal.	Detailed Specification with required outcomes, outputs and performance indicators in Invitation to Tender (ITT).	Carried out in accordance with Public Contracts Regulations route selected ⁴	Project Lead (and /or subject matter experts) with Procurement	Service Committee	Yes. Support from Legal Services is required. Contract made under seal.
Procurement from an internal Spelthorne Framework Agreement	Direct award or mini-competition in accordance with the requirements of the	Yes, where value exceeds £40,000. Project needs to be discussed at Procurement Board and	No	Detailed Specification, with required outcomes, outputs and performance indicators in Direct Award or Mini-Competition document	As required by the Framework conditions	Project Lead with Procurement	In accordance with the expected value as above	Yes. Support from Legal Services is required. Contract made under seal where above £100,000).

³ The Public Contracts Regulations threshold changes in January every two years (even years)

⁴ Discuss with Procurement the most appropriate procurement process to be followed

	framework agreement.	put on Procurement Project Plan.						
Procurement from an external Framework Agreement	In accordance with the expected value of the project as above and complying with the requirements of the framework agreement.	Yes, where value exceeds £40,000. Project needs to be discussed at Procurement Board and put on Procurement Project Plan.	No	Detailed Specification, with required outcomes, outputs and performance indicators in Direct Award or Mini-Competition document	As required by the Framework conditions	Project Lead with Procurement	In accordance with the expected value as above	Yes. Support from Legal Services is required. Contract made under seal where above £100,000).
Variations to a Contract over £100,000	Service Committee	Yes	N/A	N/A	N/A	N/A	N/A	Contract variations to be recorded on the contract file

Tendering and Quotation handling procedure

1. All written quotations or tenders, where required, should be received electronically, either via email or via the e-tendering portal.
2. Contracts estimated to be worth £40,000 or over must be tendered electronically (either via the Procurement mailbox or e-tendering portal) with support from the Procurement Team.

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FORWARD PLAN 2022/23

AUDIT COMMITTEE – 24 NOVEMBER 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:
 - March 2023
- 2.2 Details of the Forward Plan for the March meeting is as follows:

March 2023	Officer	
Corporate Risk Management	Internal Audit Manager	Report/Recommend to CPRC
Council’s Risk exposure to wider externalities and impact	Internal Audit Manager	Report
Internal Audit Annual Plan 2023/24	Internal Audit Manager	Report
Revenue Equalisation Reserve	Chief Accountant	Report
Counter-Fraud, Bribery and Corruption Strategy	Internal Audit Manager	Review/ recommend to Council
Corporate Project Management update	Group Head Commissioning and Transformation	Report
External Audit update	External Auditors	
VFM Task Group update	Deputy Chief Executive	Verbal update
Committee’s Forward Plan for 2023/24	Internal Audit Manager/Chief Accountant/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: Fiona Connelly, 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

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