

Responses to Questions submitted by Cllr Nichols for Audit Committee 25th July 2019

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

Reference	Question
1.4 (a)	<p data-bbox="384 293 1433 405">Who is the Project Steering Group and what is the group’s remit? Is the group able to (a) prevent a project from starting without correct initiation and (b) stop projects that are failing for any reason?</p> <p data-bbox="384 427 951 461">Comments by Group Head Transformation:</p> <p data-bbox="384 483 1437 943">The Project Steering Group (PSG) comprises of the Deputy Chief Executive Lee O’Neil, Group Head Commissioning and Transformation and the project officer. The Group review upcoming and ongoing projects. The PSG has been set up to assess the projects and identify factors likely to cause issues including whether a project can go ahead. When discussing a particular project the relevant Group Head will also be involved. Issues discussed will include the financing of a project, resource requirements and availability, progress and prioritisation. Where feasible these will be resolved by the Group. Exception reporting to MAT will take place for projects that are showing a significant lack of progress/resourcing in order to agree a clear decision on the way forward. Significant decisions such as whether to stop a project will also be brought to MAT.</p> <p data-bbox="384 965 1430 1032">Is the management of all projects subject to the same methodology and control or is there a scheme of proportionality?</p> <p data-bbox="384 1111 951 1144">Comments by Group Head Transformation:</p> <p data-bbox="384 1211 1422 1592">Projects are categorised (Priority Flagship, Flagship, High, Medium and Service Level). Each of the project categories complete the project documentation to ensure consistency in approach. However, the completion of the detail will be proportional to the size/nature of the project. Completion of such documentation, provides the PSG with the information necessary for assessing the projects progress and ensuring control. The PSG will also continue to review the documentation for projects to ensure it is fit for purpose. Weekly updates are provided to MAT on the status of projects in a summary form. This also provides an opportunity to highlight concerns associated with individual projects or general project management.</p>
Corporate Risk Register	
1	<p data-bbox="384 1809 1426 1877">Why is it considered acceptable for some services to be “regularly absent” from the Health and Safety Committee?</p> <p data-bbox="384 1899 616 1933">Comments by CFO:</p> <p data-bbox="384 1955 1417 2022">Not considered acceptable and MAT has escalated. Has also been reiterated at Corporate Risk Management Group. Attendance will be monitored</p>

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

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

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

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

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

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

Reference	Question
	<p>The audit recommendation contained within the Procurement audit report of May 2019 is as follows:</p> <p>“The Council should follow the Local Government Transparency Code by publishing a list of all contracts over £5,000 on its website (including description of the goods and/or services being provided, supplier name and details, value, and start, end and review dates). Where this is not the case, the Council should formally consider and document the risks associated with non-compliance”.</p> <p>Internal audit are hopeful that Management will comply with the transparency code, but it is ultimately up to Management to take decisions/pursue actions in terms of implementing adequate control systems. Should they choose not to do so then it is important that they accept the associated risks. By documenting this (particularly where a recommendation has been made previously as in this case) it ensures they are applying a carefully considered and transparent approach</p> <p>Comments by Head of Corporate Governance:</p> <p>I think Audit is referring here to the fact that we don’t have a Contract Register. This is being reviewed this summer. It was always on the cards to do this – this is one of the reasons why I thought it was inappropriate to report on procurement at this stage because we have plans in hand to change things.</p> <p>So the old Contract Register was online and part of Pro-Contract (the Council’s previous e-tendering system). When this subscription ended our contract register disappeared. Damola, the previous Procurement Officer, started work to review the contracts but he never got round to putting something online.</p> <p>We always had the In-tend (the Council’s new e-tendering system which most of the other Surrey councils are on) contract management module (since we switched over from Pro-Contract) so we could have used that. We are now populating it. We will publish the register by the end of the summer. It might not be 100% accurate because I doubt if we will get to the bottom of all POs which are not “on contract” over the course of this next couple of months – however, we will have made enough progress to allow us to bring Contract Management into much sharper focus. We will then start to roll out the Contract Management Board. I hope this will give a much greater focus on outcomes which is where I think we need to be.</p>
<p>Annual Internal Audit Summary</p>	

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

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

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

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