




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

*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.	

~ RECOMMEND	
High 	Urgent action
Medium 	Action required to
Low 	Desirable action

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. MAT & Members should note the comments recorded under the Progress column when considering the direction of travel.

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber (Column 5)		#Current Status and Progress
1. Commercial Assets and Investments	Effective	Group Head Regeneration & Growth	There are no recommendations arising from audit work undertaken.		Closed

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June 2021 (Final)					
2. Property Development	TBC	Group Head Regeneration & Growth		There is one recommendation under discussion with Management.	Note Column 4. Audit Work in Progress
3.Treasury Management May 2021 (Final)	Some Improvement Needed	Chief Accountant	1. The Chief Accountant should review the <u>authorisation process</u> relating to external borrowing for robustness to enhance the control environment and reduce the risk of re-occurrence of transactional errors. This should incorporate the following: (i)Appropriate checks should be undertaken to ensure that the repayments are correct and in accordance with the terms of the loan (ii)Ensure completeness of supporting documentation with regard to PL3's for authorisation of loan		1. Agreed. A weekly review of Treasury management activity has been implemented during May. 2. Agreed to implement. Target – end of June.

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			<p>repayments</p> <p>(iii)Periodically review the Treasury Management Issues Log to ascertain any common themes that require attention</p> <p>2. In view of the ongoing and increased Treasury Management activity, it seems prudent that the Chief Accountant (or other independent officer) carry out periodical management spot checks to incorporate high value transactions. (This is a re-recommendation from 2018/19 & 2019/20).</p>		
4.Creditors June 2021 (Final)	Some Improvement Needed	Chief Accountant & Creditors Manager	1.In view of the signed Credit Card User Agreement Terms and Conditions, the credit card referred to in discussions with the Chief Finance Officer should be immediately revoked.		1.Implemented

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			<p>2.The number of credit card holders should be reviewed based upon their usage. In particular, a review of the credit card holder that has not used their credit card since inception should be revoked.</p> <p>3.The authorisation process of credit card transactions should be reviewed and strengthened whilst aligning with the need for operational flexibility. Line managers should either authorise and / or spot check credit card transactions for reasonableness incurred by their staff. This area should be reviewed in tandem with any existing checks undertaken by the Finance Team.</p> <p>4.The Section 151 Officer – CFO / Deputy Chief Executive should send out a reminder to all credit card holders regarding the requirement to comply with</p>		<p>2.Completed and further review scheduled August 2021.</p> <p>3.Agreed and in progress. Target 31 July 2021.</p> <p>4.Agreed and implemented March 2021, with annual reminders to follow.</p>

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			<p>Corporate Credit Card User Agreements. An annual reminder going forward may also be appropriate.</p> <p>5.The Section 151 Officer – CFO / Deputy Chief Executive should consider reviewing the £20k temporary authorisation limit of the Mayoral and Civic Events Officer's credit card.</p> <p>6.The Creditors Control Account should be reconciled to the General Ledger on a monthly or quarterly basis. Evidence should be readily available to show that reconciliations have been undertaken and should also be subject to a periodic management review to ensure that the reconciliations are completed in a timely manner.</p>	<p>7.A report identifying potential Duplicate</p>	<p>5. Completed with further review of limits operating scheduled for August 2021.</p> <p>6. Agreed for full implementation by 31 July 2021.</p> <p>7. Agreed and implemented.</p>

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				Payments prior to each payment run should be retained as evidence of review. A quarterly spot check should be conducted by the Systems Accountant / Creditors Manager to ensure this is being carried out. If this is evidenced, it will ensure it is available for review by the Chief Accountant.	
5.Housing Benefits Overpayments May 2021 (Final)	Effective	Joint Group Heads Community Wellbeing	There are no recommendations arising from audit work undertaken. An observation relating to the write off process has been highlighted for management's attention.	Not Applicable.	Closed
6. Covid related workstream - Test and Trace Support Payment Scheme April 2021 (Final)	Effective	Joint Group Heads Community Wellbeing	There are no recommendations arising from audit work undertaken.	Not Applicable.	Closed

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<p>7. Covid related workstream - Business Support Grants (Phase 1 of grants administration up to November 2020)</p> <p>April 2021 (Final)</p>	<p>Major Improvement Needed</p>	<p>Chief Finance Officer</p>	<p>1.Going forward it would be prudent for the Section 151 Officer to obtain re-assurance from the Deputy Group Head of Customer Relations that there is no deviation from Central Government guidance in any future tranches of grant funding.</p> <p>2.The feasibility of maintaining an independent record / spreadsheet to record future grant payments rather than the Business Rates system should be explored.</p>	<p>-</p> <p>-</p>	<p>Closed</p> <p>1.Implemented and additional checks are incorporated into management review of payment runs. Reviewed and addressed.</p> <p>2.The associated risks of error arising from data input and processing are reduced in view of additional checking now in place across the team(s) and with BEIS to identify any potential duplicates as well as non-standard amounts. *</p> <p>*A further audit review of Business Support Grants is underway as part of the 2021/22 Audit plan.</p>
<p>8. Covid related workstream – Support 4 Spelthorne Welfare Hub</p>	<p>Some Improvement Needed</p>	<p>Joint Group Heads Community Wellbeing</p>	<p>-</p>	<p>1. The relaxation of controls should feed into the corporate ‘Lessons learnt’ exercise.</p>	<p>1.Agreed.</p>

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January 2021 (Final)			- -	2.To improve financial control, an indicative guestimate budget should be established, monitored, and revised in light of actual experience. 3.The Deputy Group Head Community Wellbeing should ensure that all invoices, credit card transactions and till receipts are scanned into Integra.	2.Agreed. For future reference/application as necessary. (No further update required) 3. Completed.
9.Procurement (Position Statement, Follow Up Reviews, payment and supplier analysis, work to support Public Procurement Notice) January 2021 (Final)	Some Improvement Needed	Group Head of Corporate Governance	This was a follow up piece of work to assess and verify implementation of previous audit recommendations (issued 2019), as well as highlight any key matters arising from audit analysis of Suppliers and payments for the attention of management.	The status of audit recommendations was reported to the Audit Committee in March 2021 as part of monitoring open/closed audits.	Several recommendations planned for implementation were scheduled to follow the planned review of the Council's Constitution and subject to approval of changes to the Contract Standing Orders and other parts of the Constitution. The latest status is reported below. There are a number of Policies and Procedures in

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					<p>development, both in response to the audit recommendations and as proposals for the introduction of best practice. The implementation of the revised CSOs and constitution has been delayed.</p> <p>The Policies and Procedures flow from the revised Contract Standing Orders and changes to the Governance structure. The new Policies and Procedures are:</p> <ul style="list-style-type: none"> 01 Procurement Policy 02 Developing the Procurement Plan 03 Delivering Social Value through Procurement 04 Advertising and Reserving Spelthorne Procurement Opportunities 05 Using SBC's Framework Agreements 06 Managing Contracts

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					<p>07 Request for Quote and tender Process 08 Procurement Due Diligence Checklist 09 Managing Risk in Procurement projects 10 Drafting a Specification of requirements 11 Exemption Reporting</p> <p>Other, related documents (in addition to the CSOs) include the proposed Procurement Strategy, and a number of updated templates (e.g. Specification, RFQ, Exemption Report etc.).</p>
10.Debtors	TBC	Customer Services and Revenues Manager	There are several recommendations arising from audit work undertaken, with a view to strengthening controls associated with the write off policy and process, scope to enhance management		The draft report will be issued shortly and recommendations will be discussed further with the accountable manager.

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			information on aged debt, periodical review of suspense items and sundry debtor accounts in credit followed by relevant action.		
11. Community infrastructure Levy July 2021 (Draft report)	Some Improvement Needed	Group Head Corporate Governance / Deputy Group Head Customer Services	-	The Group Head of Corporate Governance and the Deputy Group Head of Customer Services should discuss and review the option of transferring the CIL income recovery process (at an appropriate point of the recovery stage) from the Customer Services Team to the Legal Team. Any proposed decision based on benefits envisaged for the authority should also be raised with the Chief Finance Officer for approval.	Formal management responses to the recommendation will be collated following further discussion with the accountable managers .
12.Climate Change July 2021 (Draft report)	Some Improvement Needed	Group Head Commissioning and Transformation		1.As part of drafting the new Climate Change strategy / action plan, expected items	Recommendations have been discussed with the accountable manager and formal responses to the

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		(Corporate lead)		<p>highlighted by audit should be incorporated as far as possible.</p> <p>2.Template project documentation (for example business cases) to be reviewed and updated to ensure that Climate Change risks/implications are considered as part of decision making.</p> <p>3. Governance arrangements should be incorporated into the new Climate Change Strategy / Action Plan to ensure that roles and responsibilities are clearly defined.</p> <p>4.Training to be arranged for Officers and Members to enhance understanding of managing Climate Change and the responsibilities of individuals across the organisation to address</p>	recommendations will be collated shortly

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				<p>climate related risks. This will assist effective scrutiny and decision making to ensure appropriate actions are taken to maximise carbon reduction.</p> <p>5.Periodic monitoring and reporting arrangements to the relevant governing body should be incorporated into the new Climate Change Strategy / Action Plan to ensure transparency and enable appropriate scrutiny of actions taken.</p>	
<p>13. Workplace Culture and Ethics</p> <p>July 2021 (Draft report)</p>	<p>Some Improvement Needed</p>	<p>Corporate Management Team</p>	<p>-</p>	<p>1.Prior to formal adoption of a set of associated behaviours, consideration should be given to obtaining employee feedback to ensure that staff understand the values and are aligned with the proposed behaviours.</p>	<p>Recommendations have been discussed with the corporate management team and the Group Head Commissioning & Transformation. Formal responses to the recommendations will be collated shortly .</p>

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				2.The Council should establish an action plan to outline its overall approach, timeframes, and desired outcomes for embedding values and behaviours into the organisation's working culture. This should include consideration of the extent to which values and behaviours should be incorporated into key policies and practices, including the areas as outlined in the detailed finding.	
14.ICT Audit (Health check and general IT Controls)	TBC	Group Head Commissioning and Transformation	-	-	Audit work in Progress
15.ICT Audit (Network Infrastructure)	TBC	Group Head Commissioning and Transformation	-	-	Audit work in Progress

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16.Finalisation of 2019/2020 Audits	Various	Various	All recommendations relating to the 2019/20 Audit workplan have been previously reported to the Audit Committee in July 2020.	-	The status of audit recommendations relating to the 2019/20 Audit workplan have been previously reported to the Audit Committee.

Follow Up Audit Recommendations	Managers are requested to advise on the status of audit recommendations issued to assess implementation. This should encourage greater management ownership of control systems and risk mitigation. Previous recommendations are also followed up at every audit review (where applicable) and as part of the periodical audit reporting process.
Assurance templates (Risk and Control matrix)	Internal Audit have continued to encourage Managers representing the first line of defence in the overall assurance framework to provide assurance that controls in their functions/services are operating effectively. Where considered appropriate assurance templates have been populated highlighting key risks within the function and Managers asked to confirm that controls are operating as described. Managers are encouraged to advise on any additional risks including those related to the pandemic. Whilst Internal Audit have facilitated this process which supports risk-based auditing and continue to encourage Management input, ownership of controls and effective risk management remains with Management.

Other workstreams including corporate tasks	
Statutory	❖ Reporting to Audit Committee three times a year (9 reports per year) includes Internal Audit activity

<p><u>requirements & Reporting</u></p> <p>Audit Committee & External Audit</p>	<ul style="list-style-type: none"> ❖ Annual Audit Plan preparation for 2021/22 in liaison with Group Heads and Managers, with inclusion of key risks and audit objectives for planned assignments ❖ Meetings with the Audit Committee Chair, Chief Finance Officer and Group Head Corporate Governance ❖ Following up and responding to actions/ questions raised by Audit Committee members ❖ Input to Audit Committee Training provided by external trainer in September 2020 ❖ Annual Audit Opinion & input to Annual Governance Statement ❖ Liaison meetings with the External Auditors (BDO) to discuss working approaches, audit findings and key timelines. ❖ Audit Planning including timings, allocations, scoping and prioritisation review ❖ Preparation of audit briefs, terms of reference and work programmes ❖ Supervision and guidance including quality assurance review process for every audit review undertaken ❖ Exit Meetings with management and finalising audit reports ❖ Responding to Senior Management requests to defer planned audit assignments ❖ Escalation where necessary to enable finalisation of work
<p><u>Corporate Risk management</u></p>	<p>Coordination of the Council's Corporate Risk Register which represents the Council's most significant risks and regular reporting to Audit Committee and Cabinet took place.</p> <p>As part of refreshing the Council's approach to Risk Management, the format and structure of the Corporate Risk Register has been further reviewed and the proposed changes were presented to the Audit Committee in March 2021. The revised register aims to be more aesthetically appealing and digestible in terms of content. It focuses on a smaller number of corporate risks relating directly to effective delivery of the Corporate Plan Priorities/Objectives. It also aligns to methodology set out in the revised and fully refreshed Corporate Risk Management Policy. As part of ongoing development work on risk management, a summarised policy guide has also been prepared to assist colleagues in managing risk and training is planned for September of this year to raise awareness. Initial discussions have commenced on developing a risk appetite statement for the authority.</p>
<p><u>Corporate Counter Fraud</u></p>	<ul style="list-style-type: none"> • Collate and monitor quarterly fraud returns for submission to Surrey County Council. Payback/returns are continuing to be achieved from the counter fraud work and Spelthorne's cumulative fraud returns from the start of the Surrey Counter Fraud Partnership in January 2015 up to March 2021 exceed £2.7m (represent financial savings to the public purse based on Cabinet Office estimated figures) of which quantifiable cashable savings for Spelthorne equate to £555k. The annual fraud return for 2020/21 (covering high risk public fraud) is referred to on the cover report. • Spelthorne is procuring counter fraud resource/services from Reigate and Banstead to target areas which are likely to generate greater financial payback (business rates and housing) and further funding has been secured from April 2021. Collaborative working continues to produce positive outcomes and results were publicised to serve as a deterrent. Meetings have taken place

	<p>to encourage greater focus on social housing fraud going forward and we wish to work closer with social housing providers to specifically target this issue through exploration of a data matching initiative. Reigate are also assisting on Council Tax support and benefit investigations. Pro-active fraud initiatives relating to Business Rates (such as the Destin Solutions hub for small business rate relief) continue to be encouraged.</p> <ul style="list-style-type: none"> ❖ External groups are attended with Surrey Partners including the Surrey Counter Fraud Partnership (SCFP). This enables the sharing of knowledge and best practice approaches in tackling housing fraud/business rate avoidance and evasion, as well as opportunities to participate in joint data sharing exercises and county wide exercises in the fight against fraud. ❖ Internal Audit, Finance, Communications, and other teams circulate details of frauds and scams identified nationally or locally to make staff aware of risks and assess their impact as necessary. ❖ All audit reviews consider fraud risks. However, it remains the responsibility of management to ensure they have adequate systems of control in place to minimise risks of fraudulent activity and robust detection mechanisms in operation.
<u>Contractor Resource Management</u>	Commissioning of audit assignments with the service provider TIIA provides access to both generalist and specialist skills such as ICT auditing. Where Auditors have conducted similar reviews at other local authorities any best practice can be shared.
<u>Audit Support</u> Audit advice to management & Liaison (responsive and pro-active work)	<ul style="list-style-type: none"> ❖ COVID-19 - Monitoring the Council's ongoing response and recovery from the pandemic, identification and assessment of emerging and evolving risks and periodical reporting. Highlighting risk mitigation actions underway. ❖ Attendance at working groups to offer advice where appropriate on risk and control implications, (Corporate Risk Management Group, Corporate Debt Group, ICT SIG). ❖ Confidential advice to some service areas ❖ Various MAT and Committee reports – governance, risk, and control issues ❖ Emerging processes to adapt to new ways of remote working ❖ Regeneration and Growth – Development schemes and moratorium ❖ Finance and Customer Services - Duplicate Payments ❖ Finance – secure collection and banking of monies from satellite offices ❖ Exploring a forensic software system designed to be proactive and preventative in generating financial error for the Creditors function including discussions with external representatives and internal stakeholders ❖ Discussions with the Chief Accountant on the budget process ❖ Liaison with Customer Services on suspected Money Laundering case ❖ Liaison with Customer Services on the invoice process and assurance reporting on Business Support Grants <p>There are various other examples of audit support – the above is not a complete list.</p>

<p><u>Miscellaneous & Corporate tasks</u></p>	<p>Various as summarised below:</p> <ul style="list-style-type: none"> ❖ Refreshing and updating internal audit procedural manual/guidance ❖ Refreshing and updating audit templates and documentation ❖ Attendance at Corporate training sessions ❖ Continuous Professional Development and keeping abreast of audit technical developments/emerging best practice ❖ Performance Management / 1-1's ❖ Team management (staff support/ admin/GDPR Compliance Plans/ Health and Safety/ Budget/Legal Liaison on contractual agreements/ information requests relating to COVID-19 etc.) ❖ Keeping abreast of corporate initiatives and the independent LGA peer review ❖ Responding to FOI requests ❖ Team meetings ❖ Corporate staff meetings ❖ V-BEC Managers Briefings ❖ Quarterly liaison meetings with the s.151 Officer on audit matters as part of 'dotted reporting line'
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WORK IN PROGRESS:

Quarter 1 2021/2022 The following assignments have commenced and are currently underway (some areas will be ongoing pieces of work throughout the year). Audit recommendations for these assignments (if arising) including assurance opinion ratings will be reported to a future Audit Committee.

1. Finalisation of 2020/21 audit work (referred to above).
2. COVID-19 Workstream 2021/22– Assurance and verification work on the most recent tranche of Business Support Grants will consider associated risks and review control processes operating to validate applications and grant payments, including counter fraud checks and assurance reporting in accordance with Government guidance/framework.
3. COVID-19 Workstream 2021/22–Monitoring the Council's ongoing response and recovery from the pandemic, identification, and assessment of emerging and evolving risks. Note the separate report prepared for the July Audit Committee agenda – Covid-19 Risk Considerations.
4. Planned Advisory work 2021/22– Consideration of risks and control implications across a few defined areas as referred to in the audit plan.
5. Corporate roles including risk management and counter fraud oversight continue, as well as other workstreams referred to earlier.

