



Surrey Heath Borough Council
Surrey Heath House
Knoll Road
Camberley
Surrey GU15 3HD
Telephone: (01276) 707100
Facsimile: (01276) 707177
DX: 32722 Camberley
Web Site: www.surreyheath.gov.uk

Department: Democratic Services
Division: Corporate
Please ask for: Katharine Simpson
Direct Tel: 01276 707157
E-Mail: democratic.services@surreyheath.gov.uk

Wednesday, 22 March 2017

To: The Members of the **Audit and Standards Committee**
(Councillors: Rebecca Jennings-Evans (Chairman), Conrad Sturt (Vice Chairman),
Rodney Bates, Edward Hawkins, Paul Ilnicki, Jonathan Lytle and Bruce Mansell)

**In accordance with the Substitute Protocol at Part 4 of the Constitution,
Members who are unable to attend this meeting should give their apologies and
arrange for one of the appointed substitutes, as listed below, to attend.
Members should also inform their group leader of the arrangements made.**

Substitutes: Councillors Dan Adams, Ruth Hutchinson, David Lewis and
Katia Malcaus Cooper

Dear Councillor,

A meeting of the **Audit and Standards Committee** will be held at Council Chamber, Surrey
Heath House, Knoll Road, Camberley, GU15 3HD on **Thursday, 30 March 2017 at 7.00
pm**. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Karen Whelan

Chief Executive

AGENDA

	Pages
1 Apologies for Absence	
2 Minutes of Previous Meeting	3 - 4
To confirm and sign the non-exempt minutes of the Audit and Standards Committee meeting held on 19 September 2016.	
3 Declarations of Interest	
Members are invited to declare any disclosable pecuniary interests and non pecuniary interests they may have with respect to matters which are to be considered at this meeting. Members who consider they may have an interest are invited to consult the Monitoring Officer or the Democratic	

Services Manager prior to the meeting.

- | | | |
|----------|--|----------------|
| 4 | Financial Statements Audit Plan 2016-17 | 5 - 26 |
| | To receive a report setting out the findings of the External Auditor's review of the Council's Financial Statements for 2016/17. | |
| 5 | Certification of Benefits Claims | 27 - 42 |
| | To receive a report advising the Committee on the outcome of the External Auditor's work on the certification of claims and returns for Housing Benefit for 2015/16. | |
| 6 | Independent Persons Protocol | 43 - 50 |
| | To receive a report providing an update on the Independent Persons Protocol in use by the Council. | |
| 7 | Internal Audit 3 Year Strategy 2017-2020 | 51 - 54 |
| | To consider a report setting out the proposed three year plan for the Council's internal audit function. | |
| 8 | Internal Audit Annual Plan 2017/18 | 55 - 58 |
| | To consider a report seeking approval of the 2017/18 Annual Plan for the Council's internal audit function. | |

Date of Next Meeting

The next scheduled meeting of the Audit and Standards Committee will take place on Monday 10 July 2017 at 7pm.

Minutes of a Meeting of the Audit and Standards Committee held at on 19 September 2016

+ Cllr Rebecca Jennings-Evans (Chairman)
- Cllr Conrad Sturt (Vice Chairman)

+ Cllr Dan Adams	- Cllr Paul Ilnicki
+ Cllr Rodney Bates	+ Cllr Jonathan Lytle
+ Cllr Edward Hawkins	+ Cllr Bruce Mansell

+ Present
- Apologies for absence presented

Substitutes: Cllr Dan Adams for Cllr Paul Ilnicki

In Attendance: Sheena Adrian, Service Accountant
Neil Hewitson, Director, KPMG
Satinder Jas, Manager, KPMG
Kelvin Menon, Executive Head of Finance

8AS Minutes of Previous Meeting

RESOLVED that the minutes of the Audit and Standards Committee meeting held on 25 July be approved as a correct record and signed by the Chairman.

9AS Declarations of Interest

There were no declarations of interest.

10AS 2015/16 Financial Statements

The Committee received a report setting out the Council's audited Financial Statements for 2015/16 and the External Auditor's ISA260 Report for 2015/16.

ISA260 Audit Report 2015/16

- Neil Hewitson, KPMG, presented the ISA260 External Audit Report 2015/16. The report set out any key issues identified as a result of KPMG's audit of the Council's financial statements for the year ending 31 March 2016 and provided an assessment of the Authority's arrangements to secure value for money.

The Auditors were pleased to report that unqualified opinions had been issued in respect of both the financial statements and value for money arrangements. It had been concluded that the Authority had made proper arrangements in place to ensure that it took properly informed decisions and effectively deployed resources to achieve planned and sustainable outcomes for local residents. The work that had taken place over the last year to embed the new financial systems was noted and officers were congratulated on their work to implement eight of the ten recommendations made as a result of the 2014/15 audit.

The report acknowledged two significant risks to the Council: the valuation placed on land and buildings and borrowing of £17.9million. The Committee was informed that the Council's commercial property portfolio was considered to be a long term investment which was valued according to guidelines set out by the Royal Institute of Chartered Surveyors. Any financial gains would only be realised when the property was sold and as such any short term falls in the commercial property market were not considered to be relevant at the current time. It was agreed that a list of properties within the Council's commercial property portfolio would be circulated to the Committee.

Two recommendations from the 2014/15 audit were not yet complete. The Committee was informed that workshops had been held with staff to analyse the Civica implementation and a formal report on the outcomes of these would be available by the end of the year. Work to formally document all budget monitoring discussions was ongoing and it was expected that standardised recording templates would be finalised by the end of September 2016.

In addition to completing the two outstanding 2014/15 recommendations, the audit report made one further recommendation to ensure that the work to restructure the finance systems continued to be embedded and strengthened.

Statement of Accounts 2015/16

The Committee received the audited Statement of Accounts for the 2015/16 financial year in line with statutory requirements the unaudited Statement had been published on the Council's website at the end of June 2016.

Arising from Members' questions and comments the following points were noted:

- It was agreed that an error in the narrative statement relating to the Borough's most deprived wards would be corrected to read St Michaels instead of St Pauls.
- The Council had only used half of the £1.2million received through the New Homes Bonus. The remaining funds had been placed in the Council's reserves and a decision on their use would be taken once the outcome of the Government consultation on reforming the New Homes Bonus was known.
- The Pension Fund had been reviewed at the end of March and the outcomes would be discussed in details with the actuaries in October. The fall in the value of gilt rates had impacted on the Fund's value however it was stressed that this was a situation that was not unique to Surrey Heath Borough Council.

RESOLVED that:

- i. The Chairman of the Committee approves the Financial Statements on behalf of the Council.
- ii. The Executive Head of Finance's letter of representation to the Auditors be approved.

CHAIRMAN

**FINANCIAL STATEMENTS AUDIT PLAN FOR
2016/17**

Portfolio:	Finance
Ward(s) Affected:	All

Purpose

To inform members on external audit's plan for the audit of the 2016/17 financial statements

Background

1. Each year the Council is required to have its financial statements audited by an external auditor.
2. The auditors have set out their proposed audit plan for 2016/17 which includes any significant audit risks they have identified prior to the audit. Some of these, such as the management ability to override controls and the valuation of pensions and property, apply to all councils whereas the risks around the new subsidiary and finance team are more specific to Surrey Heath.
3. The auditors are planning to do their work during July and August to enable them to report to members in September.

Resource Implications

4. The cost of the audit, as agreed nationally, is set out on page 2. There is likely to be an additional fee to reflect the extra work this year around the new subsidiary.
5. Mr Neil Hewitson will continue to be the KPMG Director in charge of the audit and he will be assisted by Mr Satinder Jas, who was the manager last year, and Mr Cornelius Halladay-Garrett.

Recommendation

6. The Committee is asked to receive and comment on the proposed plan as appropriate.

Contact:

Kelvin Menon 01276 707257
Email: kelvin.menon@surreyheath.gov.uk

This page is intentionally left blank



External Audit Plan 2016/17

Surrey Heath Borough Council

March 2017

Contents

**The contacts at KPMG
in connection with this audit
plan are:**

Neil Hewitson

Director, KPMG LLP (UK)

Tel: +44 (0)20 7311 1791

Mob: +44 (0)7909 991 009

neil.hewitson@kpmg.co.uk

Satinder Jas

Manager, KPMG LLP (UK)

Mob: +44 (0)7979 612 771

satinder.jas@kpmg.co.uk

Headlines

Introduction

Financial Statements Audit Planning

Value for Money Arrangements Work

Other matters

Appendices

1. Our financial statements audit approach
2. Responsibility in relation to fraud
3. Independence and objectivity requirements
4. KPMG's Audit quality framework
5. Audit team

Page

2

3

4

10

14

This report is addressed to Surrey Heath Borough Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The National Audit Office has issued a document entitled Code of Audit Practice. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead for the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 6948981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, Third Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Headlines

Financial Statement Audit

There has been one significant change to the Code of Practice on Local Council Accounting in 2016/17 in relation to CIES disclosures, which is included as an area of audit focus in this plan.

Materiality

Materiality for planning purposes has been based on last year's gross expenditure and set at **£900k**.

Materiality for the group accounts has been set at **£900k**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£45k** for the main accounts and **£45k** for the group accounts.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings
- Valuation and consolidation of subsidiary investments
- Significant changes in the pension liability due to LGPS Triennial Valuation

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as: CIES restatement for code changes

See pages 4 to 9 for more details.

Value for Money Arrangements work

We have completed our initial VfM risk assessment and identified a significant risk for the VfM conclusion in relation to the capacity, capability and structure of the finance team.

We have identified financial resilience as an area for audit focus, given the financial pressures the Council is currently facing.

See pages 10 to 13 for more details.

Logistics

Our team is:

- Neil Hewitson – Director
- Satinder Jas – Manager
- Cornelius Halladay-Garrett – Assistant Manager

Our work will be completed in four phases from January 2017 to September 2017 and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 15**.

Our fee for the audit is £41,900 (£41,900 exc. VAT in 2015/16) for the Council's accounts and £8,430 (£11,411 exc. VAT in 2015/16) for the housing benefit grant claim audit.

The PSAA is considering the additional fee associated with the creation of group accounts. We will ensure that the Audit Committee is informed once the PSAA has reached its decision.

See page 14 for more details.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and

Page 10 *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

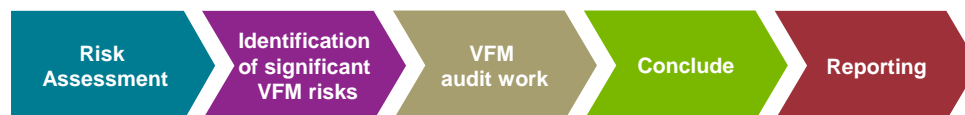
Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 10 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 and the findings of our VFM risk assessment.



Financial statements audit planning

Financial Statements Audit Planning

Our planning work takes place during January 2017 to February 2017. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach

Financial statements audit planning

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Significant audit risk: Significant changes in the pension liability due to LGPS Triennial Valuation

The Council participates in the Local Government Pension Scheme, administered by Surrey County Council. During the year, the Local Government Pension Scheme has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation.

The pension numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.

The Pension Fund only includes limited disclosures around pensions liabilities but we anticipate that this will be identified as a risk area by some of the admitted bodies, whose pension liabilities represent a significant element of their balance sheet. This includes the Council itself.

Approach: As part of our audit we will undertake work on a test basis to agree the data provided to the actuary back to the systems and reports from which it was derived and to understand the controls in place to ensure the accuracy of this data. We will review the data provided by the Council to the actuary that was used in roll forward exercise in estimating the pension liability at 31 March 2017. We may use our experts to review the assumptions used by the actuary in the calculation of the pension liability.

Financial statements audit planning

Significant Audit Risks

Significant audit risk: Valuation of Land and Buildings

Local authorities exercise judgement in determining the fair value of the different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. Given the materiality in value and the judgement involved in determining the carrying amounts of assets we consider this to be a significant risk.

In accordance with the suggested accounting policies provided by the CIPFA code of practice, the Council should revalue all its land and buildings within a rolling five year period. The Council achieves this by performing: an annual review for impairment; a full annual valuation over investment property; and a full valuation in not more than five yearly intervals over all other land and buildings.

As at 31 March 2016 the Council reported that it had a Net Book Value (NBV) of other land & buildings totalling £43.6m (79 other land and buildings) and investment properties totalling £26.8m (16 properties).

For 2016/17 the Council's valuers (Wilks Head & Eve) has revalued 22 items with a total NBV as at 31 March 2016 of £37m. Of the 22 assets selected, they consisted of the sports centre which was previously valued at £10m, a multi story car park previously valued at £5m and five other assets valued just over £4m. In addition, the Council will value all of its investment properties for 2016/17.

Approach:

We will undertake the following work over the valuation of Land and Buildings:

- review the revaluation basis and consider its appropriateness. We may engage our in-house property experts to undertake an assessment of the revaluation;
- review management's challenge to any of the valuations and to any differences between the valuation report and the financial statements;
- undertake appropriate work to understand the basis upon which any impairments to land and buildings have been calculated and test associated assumptions;
- assess the independence and objectivity of the external valuers engaged by Management;
- assess the review undertaken by the Council including the assurances they have obtained from their valuers (Wilks Head and Eve) to confirm that there are no material changes in the fixed asset values from the date of valuation to the Council's reporting year end date; and
- Test a sample of properties for existence to confirm they are in reasonable condition; and
- Test a sample of land and buildings back to deeds or other relevant documentation to confirm the Council own the asset.
- Review the fixed asset register to confirm that all assets have been valued within a five year period.

Financial statements audit planning

Significant Audit Risks

Significant audit risk: Group accounts (subsidiary consolidation)

The Council purchased the Jersey Unit Trust on 11 November 2016. The Trust consists of two properties which are the 'mall shopping centre' and the 'House of Fraser' which are both in the Camberley. The Council has purchased the subsidiary as a long term investment which provides income and to enable it to complete local regeneration in the future if it decides to do so.

This is the first year the Council will include this subsidiary as part of group accounts in its financial statements. The year end date for the subsidiary is 31 December, therefore the Council plans to use management accounts to calculate the remaining balances through to its year end of 31 March.

The subsidiary was previously in operation and is registered with Companies House. As at 31 December 2015 the subsidiary had total assets of £93m and liabilities £11m, with a net profit on investment of £3m.

Approach

We will:

- Review and compare the disclosures made by the Council to their financial statements to confirm the consolidation has been included in line with the Trust's management accounts and financial statements;
- Confirm the disclosures are inline with Code requirements for group accounting and review the presentation of the consolidated Group accounts;
- Undertake work to understand the basis upon which any assumptions have been made including estimations for the periods of the Trust's audited financial statements and the period up to the Council's financial statement year end;
- Review any discrepancies for reasonableness;
- Gain assurance over the professional qualifications, experience and independence of the Trust's auditor and to inquire about any significant audit findings; and
- Review the reports produced by the subsidiary's auditors including any other findings.

Financial statements audit planning

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Risk: New format of the core financial statements

CIPFA has been working with stakeholders to develop better accountability through the financial statements as part of its 'telling the whole story' project. The objective is to make Local Government accounts more understandable and transparent to the reader in terms of how Councils are funded and how they use the funding to serve the local population. The project resulted in two main changes in respect of the 2016-17 Local Government Accounting Code (Code) as follows:

- Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and
- Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MIRS) and replaces the current segmental reporting note.

As a result of these changes retrospective restatement of CIES (cost of services) , EFA and MIRS is required from 1 April 2016 in the Statement of Accounts.

New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards.

Though less likely to give rise to a material error in the financial statements, it is an important material disclosure change in this year's accounts.

Approach: We will assess how the Council has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code and check the restated numbers and associated disclosures for accuracy, presentation and compliance with the Code guidance.

Financial statements audit planning

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements. Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

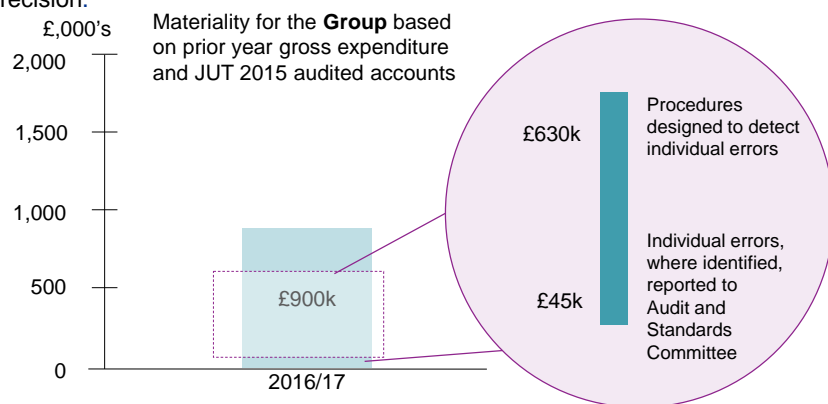
Group materiality

Group materiality is £900k (1.9% of gross expenditure). Performance materiality is £630k (70% of materiality) and AMPT at £45k (5% of materiality).

Council materiality

Council materiality is £900k (2% of gross expenditure). Performance materiality is £630k (70% of materiality) and AMPT is £45k (5% of materiality).

We design our procedures to detect errors in specific accounts at a lower level of precision.



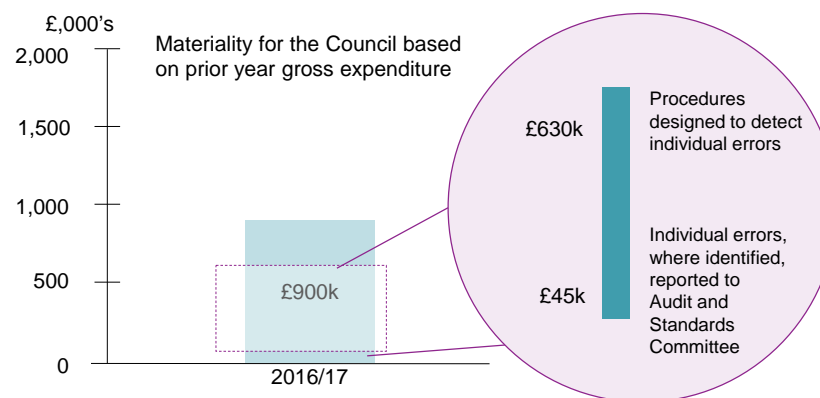
Reporting to the Audit and Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45k for the main accounts and £45k for the group accounts.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.



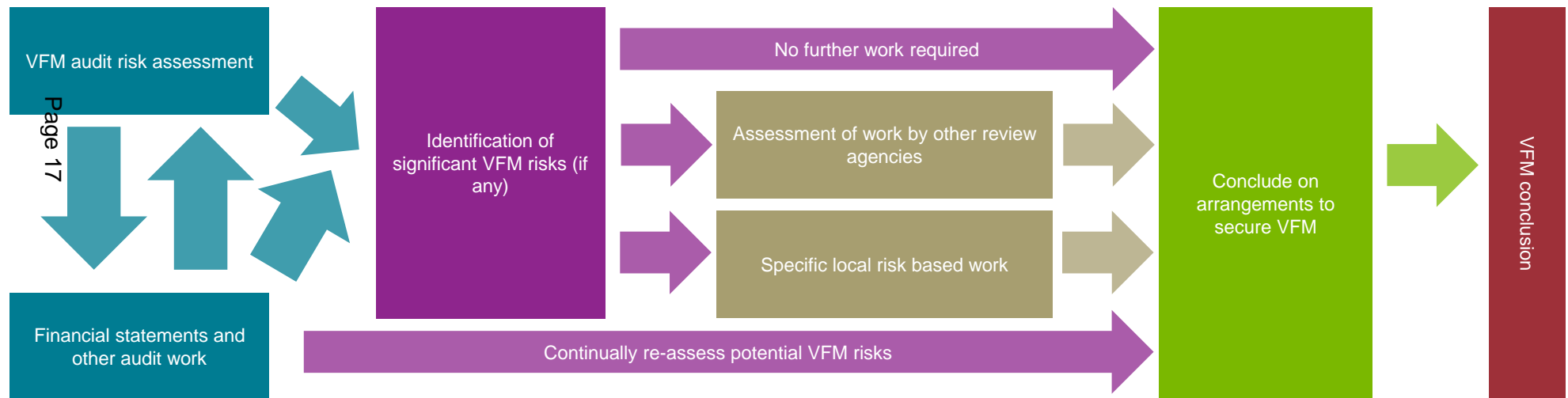
Value for money arrangements work

Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Council 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.



Value for money arrangements work

Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money arrangements work

Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Significant Risk 1

■ Capacity, capability and structure of the finance team.

The 2014/15 VFM conclusion was qualified in light of capacity and capability challenges within the finance function which were compounded by pressures in the resource model of the team. These challenges resulted in late submission of the draft accounts and the Whole of Government Accounts pack as well as the Council missing the filing deadline for its 2014/15 annual report and accounts, this resulted in us raising 10 recommendations.

For 2015/16 the Council appointed an Interim Accountant to manage the draft accounts production process in a timely fashion, enhance the preparation of supporting working papers, undertake quality assurance reviews and facilitate the accounts and audit process as part of a finance team-wide effort. This individual was temporary and is no longer working at the Council. The 2015/16 draft accounts and associated working papers were considerably better. The draft accounts and Whole of Government return were submitted on time. This step change in the control and quality of the accounts process contributed significantly to the unqualified VFM conclusion in 2015/16. In doing so 8 out of our 10 recommendations from 2014/15 were addressed.

Management planned to restructure the finance function during summer 2016, in particular hiring a permanent chief accountant to maintain the new systems and processes introduced in 2015/16. A consultation paper was submitted to the Corporate Management Team and staff in August 2016, outlining the business case and proposed restructure which included the provision of a chief accountant. It was anticipated that this would be completed by the end of October 2016. The Council has not yet filled the post and interviews are ongoing to hire a permanent chief accountant.

■ Approach

Due to the current vacant position we will continue to hold discussions with management over their approach to producing the financial statements throughout our interim work for 2016/17. We will review early working papers for 2016/17 to confirm their quality and ensure that the procedures implemented in 2015/16 continue to be in place and effective for 2016/17. We will follow up on the 2 remaining recommendations from 2014/15 to confirm if they have been implemented.

Value for money arrangements work

Other areas of audit focus

Those risks with a lower likelihood of not delivering value for money due to our previous understanding of the Council's environment.

Financial resilience

Issue:

- Local Authorities are subject to an increasingly challenged financial regime, with reduced funding from Central Government, whilst having to maintain a statutory and quality level of services to local residents.
- At the end of January 2017 the Council projected a potential underspend of £100k, against a budget for 2016/17 of £13.6m. However, the Council does have an ongoing savings target of £200k, excluding interest savings and pension costs. The main significant favourable variances during January 2017 came from wages, legal and property, and treasury activity. Collectively these contributed a £415k favourable variance. This was due to better than expected performances in the stock market, and a reduction in spend on property maintenance. The main adverse variance was for £250k, due to theatre and parking income shortfall.
- Due to the significant financial challenge faced by local authorities we will undertake review the financial resilience of the Council.

Approach:

- We will consider Management's assessment of the Council's ability to continue as a going concern;
- We will review the progress of the Council against the Medium Term Financial Strategy;
- We will review ongoing monitoring of the annual budget, including how the Council recovers any areas which are in deficit;
- The responsiveness to increasing costs of demand led services; and
- Any changes in funding allocations and the governance around how these figures are reported through to Full Council.

Other Matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Neil Hewitson, supported by Satinder Jas and Cornelius Halladay-Garrett.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit and Standards Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have noted due to your increased requirements in relation to the group accounts a fee increase in order to complete our audit may be required.

The planned audit fee for 2016/17 is £41,900 (£41,900 in 2015/16). This preserves the 25% reduction applied by the PSAA in 2015/16. The PSAA is considering an additional fee to be charged for the creation of group accounts and consolidation of the commercial subsidiary for the first time in 2016/17. We will report on the PSAA's decision to the Audit Committee once we are informed.

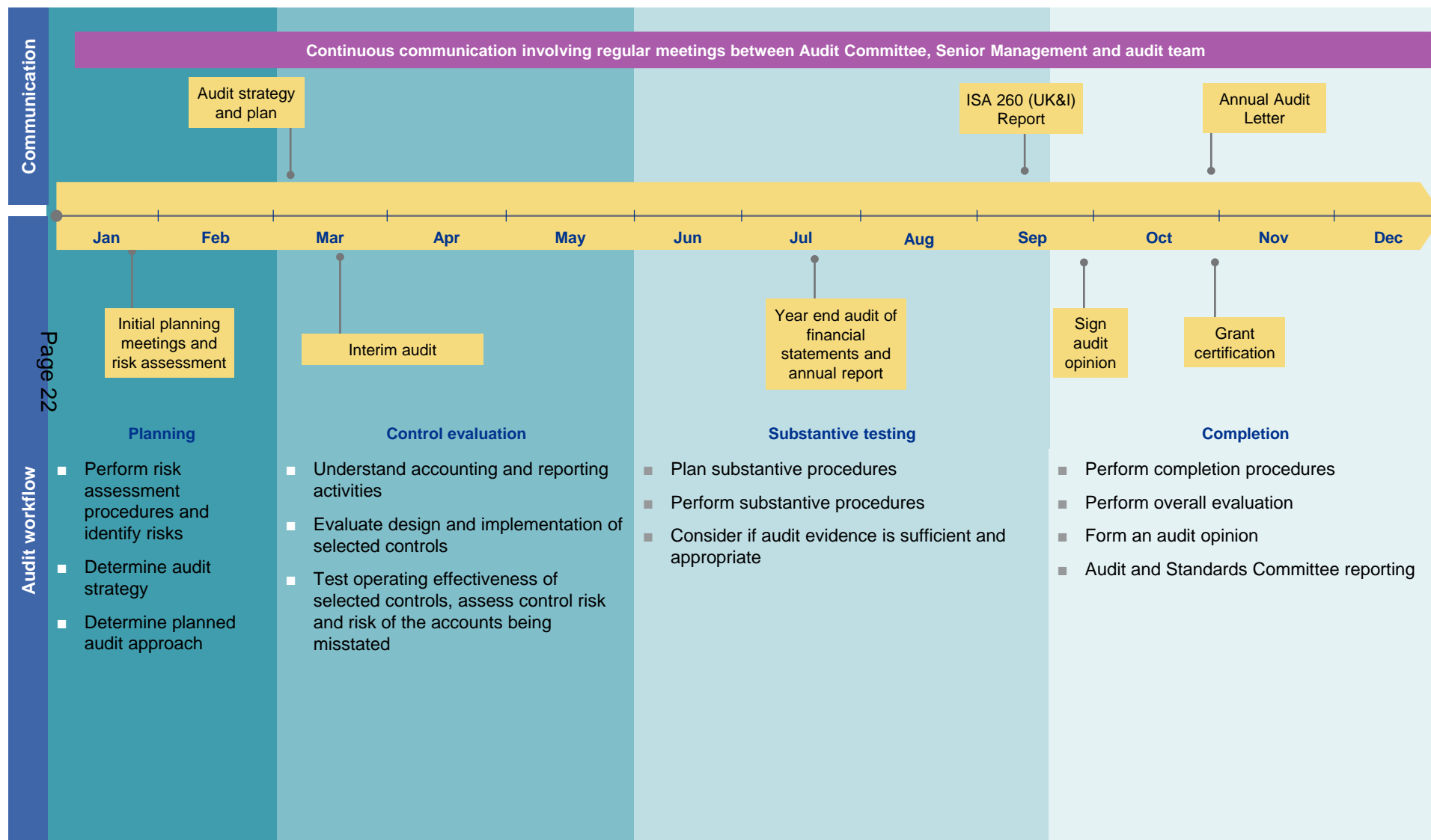
The planned audit fee for the certification of Housing Benefit grant claim is £8,430 (£11,411 in 2015/16)

Our audit fee may be varied, subject to agreement with PSAA, for changes in the Code, specifically this year for the changes in relation to the disclosure associated with retrospective restatement of the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement and the new Expenditure and Funding Analysis.

Liaising with internal audit

ISA (UK and Ireland) 610 (revised June 2013) defines how we can use the work of internal audit. Our approach ensures we comply with these requirements. We will continue to liaise with internal audit and review the findings from their programme of work for 2016/17. We will also consider any significant control deficiencies identified by internal audit and ensure that we take this into account where relevant to determine the nature of our audit work to ensure the risk is appropriately addressed.

Appendix 1: Our financial statements audit approach



Appendix 2: Responsibility in relation to fraud

<p>We are required to consider fraud and the impact that this has on our audit approach.</p> <p>We will update our risk assessment throughout the audit process and adapt our approach accordingly.</p>	<p>Management responsibilities</p> <ul style="list-style-type: none"> — Adopt sound accounting policies. — With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud. — Establish proper tone/culture/ethics. — Require periodic confirmation by employees of their responsibilities. — Take appropriate action in response to actual, suspected or alleged fraud. — Disclose to Audit Committee and auditors: <ul style="list-style-type: none"> - Any significant deficiencies in internal controls. - Any fraud involving those with a significant role in internal controls. 	<p>KPMG's identification of fraud risk factors</p> <ul style="list-style-type: none"> — Review of accounting policies. — Results of analytical procedures. — Procedures to identify fraud risk factors. — Discussion amongst engagement personnel. — Enquiries of management, Audit Committee, and others. — Evaluate broad programmes and controls that prevent, deter, and detect fraud. 	<p>KPMG's response to identified fraud risk factors</p> <ul style="list-style-type: none"> — Accounting policy assessment. — Evaluate design of mitigating controls. — Test effectiveness of controls. — Address management override of controls. — Perform substantive audit procedures. — Evaluate all audit evidence. — Communicate to Audit Committee and management. 	<p>KPMG's identified fraud risk factors</p> <ul style="list-style-type: none"> — Whilst we consider the risk of fraud to be low around the Council, we will monitor the following areas throughout the year and adapt our audit approach accordingly: <ul style="list-style-type: none"> - Revenue recognition. - Purchasing. - Management control override. - Manipulation of results to achieve targets and expectations of stakeholders.
---	--	---	---	--

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit and Standards Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local Council.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of February 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Appendix 4: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit. This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff. KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Your engagement lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting

these expectations. The global rollout of KPMG's eAudit application has significantly enhanced existing audit functionality. eAudit enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the NAO's *Code of Audit Practice*.

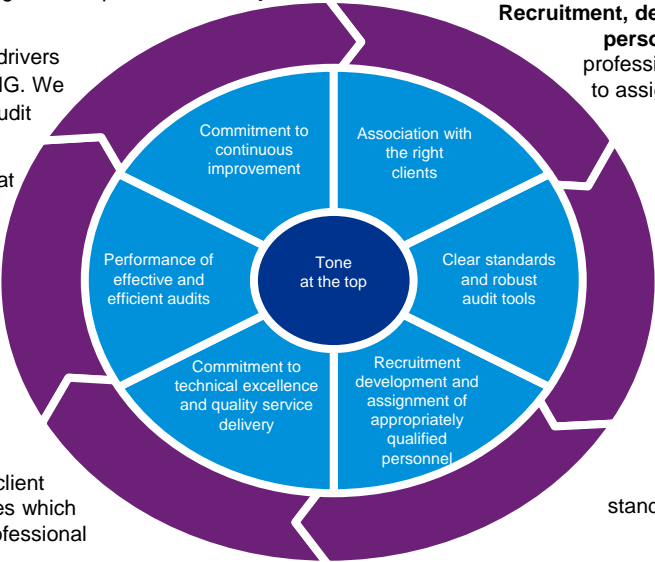
Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Trust's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a strong position to deal with any emerging issues. This includes: A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications.

A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.





© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2015/16

Portfolio	Corporate
Ward(s) Affected:	n/a

Purpose

To update Members on the outcome of the certifications of claims and returns for Housing Benefit for 2015/16

Background

1. The Council's auditors KPMG are required to certify the accuracy of the Council's claims and returns for Housing Benefit.
2. The purpose of this is to ensure that Benefit payments have been calculated correctly and then reclaimed from Government in line with regulations

Outcome

3. The Auditors have given an unqualified report for the return and their audit report is attached. They are not recommending any changes to changes to processes or procedures.

Resource Implications

4. None other than audit fees.

Recommendation

5. Members are asked to note the report as attached and comment as appropriate.

Annex:

Annex A – Certification of Claims audit report 2015/16

Report Author: Kelvin Menon – Executive Head – Finance
kelvin.menon@surreyheath.gov.uk

Service Head: Kelvin Menon – Executive Head – Finance
kelvin.menon@surreyheath.gov.uk

This page is intentionally left blank

COVERING SHEET FOR CLAIM OR RETURN CERTIFIED BY APPOINTED AUDITOR

The enclosed document

MPF720A

(form number or if unnumbered, type of claim or return)

for the project / financial year ended 31 March

2016

(year)

has been certified on the request of

Surrey Heath Borough Council

(the authority)

by an auditor appointed by Public Sector Audit Appointments in accordance with the transitional arrangements (section 28(1) of the Audit Commission Act 1998) and the Statement of Responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments & appointed auditors in relation to claims and returns, using CI

(CI number)

For the purposes of certification, this covering sheet (CF2), printed on the appointed auditor's letter headed paper, confirms that:

- the enclosed document and any qualification letter have not been returned to the authority after certification and have been sent direct to you by the appointed auditor; and
- the appointed auditor has sent the authority a copy of the enclosed certified document, and any qualification letter in respect of it.

Queries should normally be addressed to the authority because the claim or return read with any appointed auditor's qualification letter that is attached should enable you to resolve outstanding issues. If exceptionally it is essential to address a query to the appointed auditor, the query should be addressed to PSAA via hbcoun@psaa.co.uk.

Please note: (appointed auditor to indicate by a tick if the option(s) applies)

☐ the document replaces or amends the original and incorporates amendments made by the authority with appointed auditor agreement

☐ a qualification is attached.

Appointed auditor

KPMG LLP
(signature)

Date

29/11/2016

CF2 ref

SHBC-KPMG-Bend

CF2 (1-16 PSAA)

**Statement of Local Authority claimed entitlement to
HOUSING BENEFIT SUBSIDY for 2015/2016.**

AUTHORITY NAME	SURREY HEATH								001
AUTHORITY REFERENCE NUMBER	3	6	5	7	1	0	8	5	002

IMPORTANT:

1. Please read the guidance notes before you fill in this form.
2. Incorrectly completed forms may have to be returned and errors may result in payment being delayed.
3. Deadline for receipt is **30 APRIL 2016**; deadline for receipt of the auditor-certified claim is **30 NOVEMBER 2016**.

FINAL SUBSIDY CLAIM FOR HOUSING BENEFIT - 2015/2016

SUBSIDY CLAIMED FOR RENT REBATES (Cell 036S + Cell 076S)	96,956	003
SUBSIDY CLAIMED FOR RENT ALLOWANCE (Cell 129S)	15,962,655	004
ADMINISTRATION SUBSIDY RECEIVED	224,342	005
TOTAL REDUCTION FOR PRIOR YEAR UNCASHED PAYMENTS (Cell 179S)	2,654	006
TOTAL SUBSIDY CLAIMED Cells (003 + 004 + 005) - (006)	16,281,299	007
LESS INTERIM BENEFIT SUBSIDY	17,292,602	008
BALANCE NOW OWED TO OR BY(-) AUTHORITY (Cell 007 - Cell 008)	-1,011,303	009

PLEASE PROVIDE A LOCAL AUTHORITY CONTACT:

Name: Robert Fox

Telephone No. (+STD) 01276 707156

Ext 7156

Completed final claim should be returned by e-mail to:
HBSubsidy@dwp.gsi.gov.uk

Department for Work and Pensions
 Operations Finance
 Housing Delivery Division
 Housing Benefit Unit (Room B120D)
 Warbreck House
BLACKPOOL
 FY2 0UZ

Telephone:
 01253 337972
 01253 337763
 01253 337975

FOR DEPARTMENT USE ONLY

Input by

Date

Authorised

Date

RENT REBATES (TENANTS OF NON-HRA PROPERTIES)

TOTAL EXPENDITURE
(Benefit Granted)

99,431	011
--------	-----

EXPENDITURE

RATE

SUBSIDY

BOARD AND LODGING OR NON SELF-CONTAINED LICENSED ACCOMMODATION WHERE THE LOCAL AUTHORITY IS THE LANDLORD

Expenditure **up to** the lower of the one bedroom self-contained LHA rate and the upper limit (£500 or £375).

19,954	012
--------	-----

1.00

19,954	012S
--------	------

Expenditure **above** the lower of the one bedroom self-contained LHA rate and the upper limit (£500 or £375).

013

NIL

0	013S
---	------

SHORT-TERM LEASED OR SELF-CONTAINED LICENSED ACCOMMODATION WHERE THE LOCAL AUTHORITY IS THE LANDLORD

Expenditure **up to** the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375).

76,877	014
--------	-----

1.00

76,877	014S
--------	------

Expenditure **above** the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375).

015

NIL

0	015S
---	------

Cells 016 to 020 - Spare

Cell 021 - Scotland only

EXTENDED PAYMENTS

Total extended payments of non-HRA rent rebates.

022

1.00

0	022S
---	------

NON-HRA RENT REBATE EXPENDITURE ATTRACTING FULL-RATE SUBSIDY WHICH IS INCLUDED IN CELL 011 BUT NOT OTHERWISE SEPARATELY IDENTIFIED IN THIS SECTION

023

1.00

0	023S
---	------

OVERPAID (NON-HRA) RENT REBATES (CURRENT YEAR)

DWP error overpayments recovered.

024

NIL

0	024S
---	------

DWP error overpayments not recovered.

025

1.00

0	025S
---	------

LA error and administrative delay overpayments.	323	026	NIL	0	026S
---	-----	-----	-----	---	------

Technical overpayments.	28	027	NIL	0	027S
-------------------------	----	-----	-----	---	------

Eligible overpayments.	2,249	028	0.40	900	028S
------------------------	-------	-----	------	-----	------

OVERPAID (NON-HRA) RENT REBATES (PRIOR YEARS)

DWP error overpayments recovered.		029	NIL	0	029S
-----------------------------------	--	-----	-----	---	------

DWP error overpayments not recovered.		030	1.00	0	030S
---------------------------------------	--	-----	------	---	------

LA error and administrative delay overpayments.		031	NIL	0	031S
---	--	-----	-----	---	------

Technical overpayments.	45	032	NIL	0	032S
-------------------------	----	-----	-----	---	------

Eligible overpayments.	1,755	033	0.40	702	033S
------------------------	-------	-----	------	-----	------

TOTAL SUBSIDY CLAIMED AT FULL RATE

Cell 034S = (012S + 014S + 022S + 023S + 025S) - (029 + 031 + 032 + 033).	95,031	034S
--	--------	------

TOTAL SUBSIDY CLAIMED AT REDUCED RATES

Cell 035S = 028S + 033S.	1,602	035S
--------------------------	-------	------

TOTAL NON-HRA RENT REBATE SUBSIDY CLAIMED

Cell 036S = 034S + 035S + 208S. (The amount in cell 036S is added to the amount in cell 076S and entered in cell 003.)	96,956	036S
---	--------	------

IN-YEAR RECONCILIATION

Cell 037 = total of cells (012 to 015) and (022 to 028); this must equal the figure in cell 011.	99,431	037
--	--------	-----

BACKDATED EXPENDITURE

811	038
-----	-----

Cells 039 to 054 - Spare

RENT REBATES (TENANTS OF HRA PROPERTIES)

TOTAL EXPENDITURE

(Benefit Granted)	055
-------------------	-----

(This figure minus the figure in cell 079 is transferred to cell 222.)

Cells 056 to 057 - Wales only
Cell 058 - Spare

EXPENDITURE	RATE	SUBSIDY
-------------	------	---------

EXTENDED PAYMENTS

Total extended payments of HRA rent rebates.

	059	1.00	0	059S
--	-----	------	---	------

EXPENDITURE ON AFFORDABLE RENTS

Total expenditure on affordable rents for properties in the HRA.

	060	1.00	0	060S
--	-----	------	---	------

HRA RENT REBATE EXPENDITURE ATTRACTING FULL-RATE SUBSIDY WHICH IS INCLUDED IN CELL 055 BUT NOT OTHERWISE SEPARATELY IDENTIFIED IN THIS SECTION

	061	1.00	0	061S
--	-----	------	---	------

Cell 062 - Wales only

OVERPAID (HRA) RENT REBATES (CURRENT YEAR)

DWP error overpayments recovered.

	063	NIL	0	063S
--	-----	-----	---	------

DWP error overpayments not recovered.

	064	1.00	0	064S
--	-----	------	---	------

LA error and administrative delay overpayments.

	065	NIL	0	065S
--	-----	-----	---	------

Technical overpayments.

	066	NIL	0	066S
--	-----	-----	---	------

Eligible overpayments.

	067	0.40	0	067S
--	-----	------	---	------

OVERPAID (HRA) RENT REBATES (PRIOR YEARS)

DWP error overpayments recovered.

	068	NIL	0	068S
--	-----	-----	---	------

DWP error overpayments not recovered.

	069	1.00	0	069S
--	-----	------	---	------

LA error and administrative delay overpayments.

	070	NIL	0	070S
--	-----	-----	---	------

Technical overpayments.

	071	NIL	0	071S
--	-----	-----	---	------

Eligible overpayments.

	072	0.40	0	072S
--	-----	------	---	------

TOTAL SUBSIDY CLAIMED AT FULL RATE

Cell 073S = (059S + 060S + 061S + 064S) - (068 + 070 + 071 + 072).

0	073S
---	------

TOTAL SUBSIDY CLAIMED AT REDUCED RATES

Cell 074S = 067S + 072S.

0	074S
---	------

SUBSIDY LIMITATION PERCENTAGE

(This figure is taken from cell 224).

100	%	075
-----	---	-----

TOTAL HRA RENT REBATE SUBSIDY CLAIMED

Cell 076S = ((073S - 060S + 074S + 209S) x 075) + 060S.
 (The amount in cell 076S is added to the amount in cell 036S
 and entered in cell 003.)

0	076S
---	------

IN-YEAR RECONCILIATION

Cell 077 = total of cells (059 to 061) and
 (063 to 067); this must equal the figure in
 cell 055.

0	077
---	-----

BACKDATED EXPENDITURE

	078
--	-----

**TOTAL EXPENDITURE ON
AFFORDABLE RENTS INCLUDING
AFFORDABLE RENTS OVERPAYMENTS**

	079
--	-----

Cells 080 to 093 - Spare

RENT ALLOWANCES**TOTAL EXPENDITURE
(Benefit Granted)**

16,279,356	094
------------	-----

EXPENDITURE**RATE****SUBSIDY****REGULATED TENANCIES**

Total expenditure in respect of
 "regulated tenancies" entered into before de-regulation.

148,578	095
---------	-----

1.00

148,578	095S
---------	------

**EXPENDITURE UNDER THE RENT OFFICER ARRANGEMENTS:
 CASES REFERRED TO THE RENT OFFICER BY 30 APRIL 2016 AS REQUIRED
 (EXCLUDING EXPENDITURE MADE UNDER PAYMENTS ON ACCOUNT UNDER
 REG.93 OF SI 2006 No.213 OR REG.74 OF SI 2006 No.214)**

CASES ADMINISTERED UNDER THE PRE-1996 RULES

Total expenditure on that part of weekly
 eligible rent above the rent officer's
 determination on a claim where restrictions
 could not be made under Regs.13 or 13ZA.

	096
--	-----

0.60

0	096S
---	------

Total expenditure on that part of weekly
 eligible rent above the rent officer's
 determination on a claim where restrictions
 could be made under Regs.13 or 13ZA.
 Exclude amounts in cell 096.

	097
--	-----

NIL

0	097S
---	------

Total expenditure on that part of weekly
 eligible rent at or below the rent officer's
 determination on a claim.

16,460	098
--------	-----

1.00

16,460	098S
--------	------

MAXIMUM RENT CASES

Total expenditure up to the maximum rent.

472,744	099
---------	-----

1.00

472,744	099S
---------	------

**EXPENDITURE UNDER THE RENT OFFICER ARRANGEMENTS:
PAYMENTS MADE ON ACCOUNT UNDER REG.93 OF SI 2006 No. 213 OR REG.74 OF
SI 2006 No. 214 AND REFERRAL MADE TO THE RENT OFFICER BY 30 APRIL 2016**

Total expenditure arising from payments made on account under Reg.93 of SI 2006 No. 213 or Reg.74 of SI 2006 No. 214 in which a referral was made by 30 April 2016.

	100	1.00	0	100S
--	-----	------	---	------

**EXPENDITURE UNDER THE RENT OFFICER ARRANGEMENTS:
CASES REQUIRING REFERRAL BUT NO REFERRAL MADE BY 30 APRIL 2016**

Expenditure where there is no current determination and no referral made by 30 April 2016.

	101	NIL	0	101S
--	-----	-----	---	------

**EXPENDITURE UNDER THE RENT OFFICER ARRANGEMENTS:
CASES EXCLUDED FROM REQUIREMENT TO REFER TO THE RENT OFFICER**

Total expenditure related to cases not requiring referral to the rent officer.

10,303,004	102	1.00	10,303,004	102S
------------	-----	------	------------	------

LHA EXPENDITURE

Total expenditure in claims administered under LHA rules.

5,000,318	103	1.00	5,000,318	103S
-----------	-----	------	-----------	------

**EXPENDITURE ON BOARD AND LODGING AND NON SELF-CONTAINED LICENSED
ACCOMMODATION PROVIDED AS TEMPORARY OR SHORT TERM ACCOMMODATION WHERE
A REGISTERED HOUSING ASSOCIATION IS THE LANDLORD**

Expenditure **up to** the lower of the one bedroom self-contained LHA rate and the upper limit (£500 or £375).

0	104	1.00	0	104S
---	-----	------	---	------

Expenditure **above** the lower of the one bedroom self-contained LHA rate and the upper limit (£500 or £375).

	105	NIL	0	105S
--	-----	-----	---	------

**EXPENDITURE ON SELF-CONTAINED LICENSED ACCOMMODATION AND ACCOMMODATION
OWNED OR LEASED BY A REGISTERED HOUSING ASSOCIATION PROVIDED AS TEMPORARY
OR SHORT TERM ACCOMMODATION WHERE A REGISTERED HOUSING ASSOCIATION IS THE
LANDLORD**

Expenditure **up to** the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375).

	106	1.00	0	106S
--	-----	------	---	------

Expenditure **above** the lower of 90% of the appropriate LHA rate for the property plus the management costs element and the upper limit (£500 or £375).

	107	NIL	0	107S
--	-----	-----	---	------

SUPPORTED RENT EXPENDITURE

Total expenditure for any claims or awards that have had their eligible rent calculated within the rules that have replaced the use of the pre 1996 rules for "exempt accommodation".

	108	1.00	0	108S
--	-----	------	---	------

EXTENDED PAYMENTS

Total extended payments of rent allowance.

24,405	109	1.00	24,405	109S
--------	-----	------	--------	------

RENT ALLOWANCE EXPENDITURE ATTRACTING FULL-RATE SUBSIDY WHICH IS INCLUDED IN CELL 094 BUT NOT OTHERWISE SEPARATELY IDENTIFIED IN THIS SECTION

	110	1.00	0	110S
--	-----	------	---	------

OVERPAID RENT ALLOWANCES (CURRENT YEAR)

DWP error overpayments recovered.

	111	NIL	0	111S
--	-----	-----	---	------

DWP overpayments not recovered.

171	112	1.00	171	112S
-----	-----	------	-----	------

LA error and administrative delay overpayments.

27,681	113	NIL	0	113S
--------	-----	-----	---	------

Eligible overpayments.

285,994	114	0.40	114,398	114S
---------	-----	------	---------	------

Duplicate payments.

	115	0.25	0	115S
--	-----	------	---	------

Recovered overpayments resulting from the use of payments on account made under Reg.93 of SI 2006 No. 213 or Reg.74 of SI 2006 No.214.

	116	NIL	0	116S
--	-----	-----	---	------

Overpayments resulting from the use of payments on account made under Reg.93 of SI 2006 No. 213 or Reg.74 of SI 2006 No.214 which have not been recovered.

	117	1.00	0	117S
--	-----	------	---	------

OVERPAID RENT ALLOWANCES (PRIOR YEARS)

DWP error overpayments recovered.

	118	NIL	0	118S
--	-----	-----	---	------

DWP overpayments not recovered.

	119	1.00	0	119S
--	-----	------	---	------

LA error and administrative delay overpayments.

10,689	120	NIL	0	120S
--------	-----	-----	---	------

Eligible overpayments.

265,592	121	0.40	106,237	121S
---------	-----	------	---------	------

Duplicate payments.

	122	0.25	0	122S
--	-----	------	---	------

Recovered overpayments resulting from the use of payments on account made under Reg.93 of SI 2006 No. 213 or Reg.74 of SI 2006 No.214.

	123	NIL	0	123S
--	-----	-----	---	------

Overpayments resulting from the use of payments on account made under Reg.93 of SI 2006 No. 213 or Reg.74 of SI 2006 No.214 which have not been recovered.

	124	1.00	0	124S
--	-----	------	---	------

TOTAL SUBSIDY CLAIMED AT FULL RATE

Cell 125S = (095S + 098S + 099S + 100S + 102S + 103S + 104S + 106S + 108S + 109S + 110S + 112S + 117S) - (118 + 120 + 121 + 122 + 123).

15,689,399	125S
------------	------

TOTAL SUBSIDY CLAIMED AT REDUCED RATES

Cell 126S = 096S + 114S + 115S + 121S + 122S.

220,635	126S
---------	------

TOTAL RENT ALLOWANCE SUBSIDY CLAIMED

Cell 127S = 125S + 126S + 210S.

15,948,404	127S
------------	------

MODIFIED SCHEME SUBSIDY

(This figure to be transferred from cell 216S.)

14,251	128S
--------	------

TOTAL SUBSIDY

Cell 129S = 127S + 128S

(The amount in cell 129S is entered in cell 004.)

15,962,655	129S
------------	------

IN-YEAR RECONCILIATION

Cell 130 = total of cells 095 to 117; this must equal the figure in cell 094.

16,279,355	130
------------	-----

BACKDATED EXPENDITURE

48,368	131
--------	-----

Cells 132 to 178 - Spare

SUBSIDY ADDITIONS AND DEDUCTIONS

UNCASHED PAYMENTS

Subsidy reduction in respect of uncashed payments prior to 2015/2016 (The amount in cell 179S is entered in cell 006.)

2,654	179S
-------	------

Cells 180 to 190 - Scotland and Wales

Cells 191 to 200 - Spare

LOCAL AUTHORITY ERROR AND ADMINISTRATIVE DELAY SUBSIDY

TOTAL EXPENDITURE ATTRACTING FULL SUBSIDY

(Cells 034S + 073S + 125S)

15,784,430	201
------------	------------

Lower threshold (cell 201 x 0.48%).

75,765	202
--------	------------

Upper threshold (cell 201 x 0.54%).

85,236	203
--------	------------

TOTAL LA ERROR AND ADMINISTRATIVE DELAY OVERPAYMENTS

(Cells 026 + 031 + 065 + 070 + 113 + 120)

38,693	204
--------	------------

SUBSIDY CALCULATION

Enter the figure from cell 204 if less than or equal to cell 202.

Otherwise enter "0".

38,693	205
--------	------------

Enter the figure from cell 204 if more than cell 202 but less than or equal to cell 203. Otherwise enter "0".

0	206
---	------------

LA error and administrative delay subsidy due

(cell 205 + (cell 206 x 0.40)).

38,693	207S
--------	-------------

LA ERROR AND ADMINISTRATIVE DELAY SUBSIDY APPORTIONMENTS

Rebates for non-HRA properties (cell 207S x ((cell 026 + 031) divided by cell 204)). This figure to be included in cell 036S.

323	208S
-----	-------------

Rebates for HRA properties (cell 207S x ((cell 065 + 070) divided by cell 204)). This figure to be included in cell 076S.

0	209S
---	-------------

Rent Allowances (cell 207S x ((cell 113 + 120) divided by cell 204)). This figure to be included in cell 127S.

38,370	210S
--------	-------------

Cell 211 - Spare

MODIFIED SCHEMES SUBSIDY

Total subsidy claimed before any addition in respect of the operation of a local scheme. (Cells 036S + 076S + 127S)

16,045,360	212
------------	------------

Enter 0.2% of cell 212.

32,091	213
--------	------------

Expenditure due to the **voluntary** disregarding of War Disablement Pensions or War Widows Pensions.

19,001	214
--------	------------

Enter 75% of cell 214.

14,251	215
--------	------------

Enter the lower of cells 213 and 215. This figure to be transferred to cell 128S.

14,251	216S
--------	-------------

RENT REBATE SUBSIDY LIMITATION SCHEME

2015/16 weekly rent limit.

0.00	217
------	------------

Derogation from Rent Rebate subsidy limitation, if granted.

0.00	218
------	------------

Average weekly rent for 2015/16 **excluding affordable rents**
(rent for Rent Rebate subsidy limitation purposes).

	219
--	------------

Rental income for 2015/16 **excluding affordable rents**.

	220
--	------------

Enter zero if not subject to limitation, otherwise enter the amount in cell 220.

0.00	221
------	------------

Amount of rebates paid in 2015/16 (this is the figure entered in cell 055 minus the figure entered in cell 079).

0	222
---	------------

Proportion of rental income rebated in 2015/16.
(Cell 223 = cell 222/cell 220)

0.0000	223
--------	------------

Rent Rebate subsidy limitation percentage.

If cell 219 is less than or equal to cells 217 + 218, cell 224 = 100%;

100.00	224
--------	------------

If cell 219 is greater than cells 217 + 218 and if cell 223 is less than or equal to 0.746, cell 224 = (cells 217 + 218)/cell 219;

If cell 219 is greater than cells 217 + 218 and if cell 223 is greater than 0.746, cell 224 = 1 - (((cell 219 - (cells 217 + 218))/cell 219) x (0.746/cell 223)).

(The percentage is transferred to cell 075.)

MODIFIED SCHEMES

Total paid on increase in benefit arising from local schemes which allow some or all of a war disablement or war widow's pension to be disregarded.

Non-HRA Rent Rebate	HRA Rent Rebate	Rent Allowance	Total HB	
0	0	19,001	19,001	225

LOCAL AUTHORITY CERTIFICATE

* **I APPLY** on behalf of the authority for payment, in advance of certification by the appointed auditor, of the amount shown at cell 009.

* **I UNDERTAKE** on behalf of the authority to pay on demand to the Secretary of State the amount shown at cell 009.

I CERTIFY that I have examined the entries within this form and that to the best of my knowledge and belief -

the entries are accurate;

the expenditure, on which the claim is based, has been properly incurred in accordance with the Social Security Contributions and Benefits Act 1992 and the instructions made or having force thereunder, in particular the Housing Benefit (General) Regulations 1987;

this claim for subsidy is on the form required by the Secretary of State and the information given on it is in accordance with those Acts and the instruments made or having force thereunder, in particular the Income-related Benefits (Subsidy to Authorities) Order 1998;

no amounts in this claim have been included in any claim by an authority or authorities* acting as an agent or agents* of this authority; and

the authority's administrative systems, procedures and key controls for awarding benefits operate effectively and the authority has taken reasonable steps to prevent and detect fraud.

SIGNED :

K. S. Menon

DATE :

3/5/16

This signature, certifying this claim, must be that of the officer responsible pursuant to Section 151 of the Local Government Act 1972 (Responsible Finance Officer)

Name (block)

MR K. S. MENON

Position held :

HEAD OF FINANCE

* Delete as necessary

CERTIFICATE OF AUDITOR APPOINTED BY THE AUDIT COMMISSION

The Statement of Responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments and appointed auditors in relation to claims and returns, issued by Public Sector Audit Appointments, sets out the respective responsibilities of these parties, and the limitations of our responsibilities as appointed auditors.

~~I/We~~ have examined the entries in this form (~~which replaces or amends the original submitted to me/us by the authority dated~~)* and the related accounts and records of the authority in accordance with Certification Instruction A01 and ~~I/we~~ have carried out the tests in Certification Instruction number BEN01 and obtained such evidence and explanations as ~~I/we~~ consider necessary.

~~(Except for the matters raised in the attached qualification letter dated~~)*
~~I/We~~ have concluded that the claim or return is:

- fairly stated; and
- in accordance with the relevant terms and conditions.

Signature

UPMGLP

Name (block capitals) NEIL HENITSON
On behalf of Public Sector Audit Appointments

Date

29/11/16

* Delete as necessary

This page is intentionally left blank

Independent Persons Protocol

Portfolio:	(Portfolio)
Ward(s) Affected:	All

Purpose:

To note that an Independent Persons Protocol has been adopted which details the role and obligations on the appointed Independent Persons.

1. Background

- 1.1 On the 18th May 2016 the Council joined a consortium of other authorities which had appointed six independent persons as required by the Localism Act 2011 to assist in disciplinary processes within the Council. The previous appointment had expired and the protocol which was in place is now outdated.

2. Current Position

- 2.1. The Council needs to adopt an Independent Persons Protocol which will detail, amongst other matters, the appointment, role and obligations and allocation of Independent Persons by the participating authorities. The consortium of Councils is currently Mole Valley, Guildford, Waverley, Spelthorne and Reigate and Banstead. The Protocol is the same for all six participating authorities. It deals with the practical issues of dealing with complaints, including any conflicts of interest, common processes and arrangements for dealing with complaints. Training has also been provided to the pool members to ensure consistency from the Independent Persons.

3. Options

- 3.1. To note that an Independent Persons Protocol has been adopted by the Council. This protocol is attached at Annex 1.

4. Proposal

- 4.1. It is therefore proposed that this item be noted the Independent Persons Protocol as attached at Annex 1 is adopted.

5. Resource Implications

- 5.1. None

6. Recommendation

- 6.1. It is recommended that this Item to be noted

Background Papers:

Author: Karen Limmer Head of Service: Legal and Property
01276 707304
Karen.limmer@surreyheath.gov.uk

This page is intentionally left blank

INDEPENDENT PERSON PROTOCOL

Surrey Heath Borough Council in conjunction with 5 other County authorities, namely Guildford Borough Council, Mole Valley District Council, Reigate and Banstead Borough Council, Spelthorne Borough Council and Waverley Borough Council has appointed a pool of Independent Persons to be drawn from when required.

Any reference in this document to 'the Council', applies to each of the six Local Authorities. Any reference in this document to 'the Committee' applies to any Committee of the Council which may have responsibility for promoting the maintenance of high standards of conduct by councillors of the Council. The six Councils follow a similar approach, but the committee structures vary between them according to each Council's Constitution and Arrangements.

This Protocol sets out the expected roles and responsibilities of an Independent Person (IP) when they are carrying out their function in relation to the assessment of an allegation that a Member of the Council has failed to comply with the Council's Code of Conduct for Members.

Principles

Appointment

1. Each Independent Person (IP) will be appointed until May 2019.
2. Thereafter appointments will be made on the basis of a four year term, which reflects the ordinary term of office of a councillor, with serving IPs being eligible for re-appointment.

Role and Obligations

3. The role of the IP is a consultative position required under section 28 of the Localism Act 2011.
4. The purpose of the IP role is to assist the Council in promoting high standards of conduct by elected members of the Council and in particular to uphold the Code of Conduct adopted by the Council and the seven principles of public office, namely selflessness, honesty, integrity, objectivity, accountability, openness and leadership.
5. The IP is expected to develop a sound understanding of the ethical framework as it operates within the Council.
6. The IP may be invited to attend or participate in training events organised or promoted by the Committee.
7. The views of an IP must be sought by the Council before it takes a decision on whether an allegation may be investigated, and may be sought by the Council at any other stage (e.g. before a final hearing is

arranged or where a local resolution may be appropriate), or by a Member against whom an allegation has been made.

8. The Council is expected to support the IP in his/her role by:
 - providing information on its processes and procedures
 - adhering to this Protocol
 - providing training which meets the needs of the IP
 - supporting the IP by dealing with from press enquiries
 - providing advice if an IP is unsure of their role or conduct
 - paying reasonable travelling and subsistence expenses claimed by the IP for undertaking this role. (Such expenses must be claimed within three months of incurring them). The IP will receive no other remuneration.

Allocation of Independent Person

9. This Protocol covers all the IPs appointed by the authorities and any reference in this Protocol to an IP covers reference to all IPs.
10. The six authorities will endeavour to choose IPs from the pool on an even and fair basis, as far as possible. In order to assist this, each authority will inform the other authorities at the time an IP first becomes involved in a complaint.
11. The authorities will keep a log on Share-point and update it promptly when a new case arises.
12. Before approaching an IP, the Council will consider the number of complaint cases each IP has been allocated by all the Local Authorities using the pool.
13. An IP is not obliged to accept a request to be involved in a complaint, should they either have other commitments or have recently been involved in a complaint at one of the other authorities.
14. Where there is a link between any complaints made to the Council, the same IP will normally be approached if the Monitoring Officer feels it will assist the efficiency of the investigation.

Independent Person's Conduct

15. In carrying out the role, the IP will ensure that he/ she -
 - a. acts in accordance with -
 - i. any relevant legislation or guidance and the Council's Code of Conduct in force at the time; and
 - ii. the agreed processes/ procedures approved by the Committee and the Council's Constitution; and
 - b. acts impartially at all times, without political bias or prejudice and in

- accordance with the rules of natural justice; and
- c. maintains confidentiality at all times.

The Committee

16. The Monitoring Officer's (MO) role is to give advice to the Committee.
17. The IP is not a member of the Committee but is welcome to attend meetings and can be asked to give their views to the Committee.
18. The IP does not have any voting rights when attending a meeting of the Committee and shall speak at the invitation of the Chairman.

Involvement in hearings

19. The MO will brief the IP, either on the phone or face to face, to provide the context of a complaint upon first contact.
20. The MO will consult the Independent Person for advice on action to take in accordance with the Council's hearing arrangements, which may include any of the following stages:
 - Upon receipt of a complaint, to decide whether it merits formal investigation depending on the individual authority's arrangements).
 - When the Monitoring Officer feels it is appropriate to resolve the complaint informally, without the need for a formal investigation.
 - Following a formal independent investigation, on the outcomes or recommendations of the Investigating Officer.
 - Where an Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct, on whether any form of local resolution is possible.
21. When the MO is deciding how to progress with a complaint, he/she should consult with the IP and should consider the following:
 - a. Was the Member acting in their official capacity at the time of the alleged misconduct?
 - b. Was the Member in office at the time of the alleged misconduct?
 - c. Can the complaint be considered as being of a very minor or trivial nature; or vexatious, frivolous or politically motivated?
 - d. Has the complaint been made within the appropriate time scales?
 - e. Is there a potential breach of the Council's Code of Conduct?
 - f. Is there public interest in the matter?
 - g. Is there sufficient information to enable him/her to make a decision?
If not, what information is required?
22. The MO will make a written record of any discussions that take place with the IP and send these to the IP for agreement.
23. The MO will provide a summary with any documents provided to the IP.

24. The MO will inform the IP at the earliest opportunity in the process of an investigation, of the Council's expectations with regards to the timescales for their responses during each stage.

Feedback and Learning

25. At the resolution of the complaint, whether there is a formal investigation or not, the MO will advise the IP of the outcome of the complaint.
26. The MO and IP may have a discussion on the lessons learnt, from both the hearings arrangements process and following this Protocol, and whether any improvements are required.
27. The MOs and IPs will meet on an annual basis to review progress with the operation of the Protocol and deal with any training requirements.

Conflicts of Interest, Access to Contact details and Confidentiality

28. The IP should inform the MO if they feel there are circumstances which would suggest that they had a conflict of interest e.g. being a friend of either the complainant or Member concerned; or have previously been involved in the matter.
29. If the IP approached has a conflict of interest, another IP will be consulted.
30. A complainant will not be given the IP's contact details. In the unlikely event that the IP is contacted directly by a complainant, he/she should not respond to them and is expected to inform the MO immediately.
31. The subject member will not automatically be given the IP's contact details. Upon first contact, the MO will ask the IP how they wish to communicate with the subject member. Where the subject Member wishes to speak to the IP then the MO will try to facilitate this in a planned way between the IP and the Member.
32. The Council will not give out details of IPs to the Press or other enquirers.
33. In terms of confidentiality, the IP should not discuss any matters about a complaint, either past or present, with the media or any other third party without appropriate advice having been taken from the MO.

Methods of Contact

34. The IP is requested to provide the MO with appropriate methods of contact e.g. email and telephone numbers, and is expected to make themselves available at all reasonable times.

35. The IP will advise during initial discussions with the MO their preference for communications, whether in hard copy, by email, or both.
36. The IP is asked to inform the MO with as much reasonable notice as possible if they will not be contactable for any extended period once they have first become involved in an investigation, so that one of the other IPs can be advised that he/she would be required to stand-in as necessary during this period.

This page is intentionally left blank

Internal Audit Strategic Plan 2017-20

Portfolio	Finance
Ward(s) Affected: n/a	

Purpose

To consider the internal audit three-year Strategic Plan 2017-20 and to approve its adoption for Internal Audit.

Background

1. The Internal Audit Strategy has been produced in accordance with best practice as identified in the Public Sector Internal Audit Standards which applies the IIA International Standards to the UK public sector.
2. The Internal Audit Strategy has been produced with the purpose of:
 - Providing an opinion on the internal control environment to support the completion of the Annual Governance Statement
 - Preparing audit plans that give suitable priority to the Council's objectives and key risks and concentrate resources on areas that have been identified as being the most vulnerable
 - Agreeing actions with managers at the conclusion of each piece of audit work that will assist in maintaining internal control, ensure continuous service improvement and reduce risk
 - Contributing to the Council's performance management system (golden thread) by reporting performance and progress to CMT and to Members at the Audit & Standards committee
 - Identifying the audit resources required to deliver an effective audit service that is both affordable and meets required professional standards as well as current legislation

The Strategic Plan

3. The 3 year plan has been prepared based on the following sources:
 - The Corporate Risk Register that identifies the key risks for the authority

- Materiality – the level of income and expenditure projected in the Council's financial accounts
- Emerging risk landscape- new and forecasted major risks affecting the public sector
- Audit history – the frequency and year audits were last carried out
- Control environment – the quality of the control environment and inherent risks in the system, reliance on key personnel, poor audit opinions in the past, previous fraud or control weaknesses, high staff turnover, new computer systems
- Growth areas identified in the Council's medium term strategy, and any new areas of work eg. new financial borrowing, property acquisitions, joint waste

Integrated Assurance

4. The Council's management team receive their in year assurance from various providers including the work of internal audit, Investors in People, the Health and Safety Executive, and the Council's external auditors, KPMG.

Corporate Plan

5. The work of Internal Audit supports the Council's Annual Plan and meeting its corporate objectives and key priorities.

Resource implications

8. There are no resource implications arising from this report.

Recommendation

9. Members are asked to note and agree the internal audit 3-year Strategy for 2017-20.

Annex: Annex 1 - 3 Year Strategy 2017-20

Background Papers: None

Report Author: Alex Middleton 01276 707303
e-mail: alex.middleton@surreyheath.gov.uk

Executive Head: Kelvin Menon 01276 707257
e-mail: kelvin.menon@surreyheath.gov.uk

ANNEX A
SURREY HEATH BOROUGH COUNCIL
INTERNAL AUDIT SERVICE
3 YEAR STRATEGIC PLAN 2017-20

BUSINESS ACTIVITY	2017-18	2018-19	2019-20	CYCLE	LAST AUDIT
FINANCE/ FUNDAMENTAL SYSTEMS					
Debtors and Income	√	√	√	annual	16/17 - annual to support the Council's Financial Statements
Creditors and Expenditure	√	√	√	annual	16/17- as above
Main Accounting system	√	√	√	annual	16/17 - as above
Housing Benefits	√	√	√	annual	16/17 - as above
Revenues	√	√	√	annual	16/17 - as above
Treasury Management	√	√	√	annual	16/17 - as above
Cash and Bank	√	√	√	annual	16/17- as above
Capital Accounting	√	√	√	annual	16/17 - as above
CORPORATE					
Democratic Services		√		every 3 years	11/12
Contact Centre			√	every 3 years	new audit area added
Media & Marketing	√			every 3 years	new audit area added
Complaints			√	every 3 years	16/17
COMMUNITY					
Joint Waste Arrangements & contract	√	√	√	annual	16/17
Highways/street cleansing		√		every 3 years	13/14
Environmental Health	√			every 3 years	10/11- usually receives its assurance by other external regulators
Community Transport			√	every 3 years	16/17
Emergency Planning, Business Continuity	√	√	√	annual	16/17
Licensing			√	every 3 years	16/17
Health & Safety			√	every 3 years	16/17
Community Services - inc. centres for older people		√		every 3 years	15/16
BUSINESS					
Parking	√	√	√	annual	16/17
Camberley Theatre	√	√	√	annual	16/17
Leisure Centres	√		√	every 2 years	13/14
Parks & Open Spaces			√	every 3 years	16/17
Event Management- inc. SH Show, FL Live	√	√	√	annual	16/17
TRANSFORMATION					
ICT	√	√	√	annual	16/17
HR - inc. safeguarding	√		√	every 2 years	16/17
Economic Development			√	every 3 years	new audit area added
Information Management/DPA/FOA	√			every 3 years	15/16
Payroll	√	√	√	annual	16/17
REGULATORY					
Development Control- planning		√		every 3 years	12/13
Housing & homelessness			√	every 3 years	16/17
Land Charges		√		every 3 years	10/11
Planning Policy & Conservation	√			every 3 years	new audit area added
Family Support		√		every 3 years	new audit area added
Private Sector Housing - inc. DFGs	√			every 3 years	14/15
Drainage	√			every 3 years	15/16
FINANCE					
Insurance		√		every 3 years	11/12 - has been audited as part of other audits in last 3 years, but has not been subject to its own audit
LEGAL & PROPERTY					
Estate Management & Regeneration	√	√	√	annual	13/14
Building Control			√	every 3 years	16/17
Facilities			√	every 3 years	16/17
CROSS CUTTING ACTIVITIES					
Corporate enforcement	√			every 3 years	new audit area added
Procurement & Contracts		√		every 2 years	16/17
Grants			√	every 3 years	16/17
Fraud Prevention & Detection	√	√	√	annual	15/16
Key Projects /Partnerships	√	√	√	annual	new audit area added

This page is intentionally left blank

Internal Audit Annual Plan 2017-18

Portfolio	Finance
Ward(s) Affected: n/a	

Purpose

To consider and approve the 2017-18 Annual Plan for the Internal Audit service

Background

1. The Accounts and Audit Regulations require local authorities to maintain an adequate and effective system of internal audit of accounting records and of the system of internal control, in accordance with internal audit Standards. An Annual Plan for Internal Audit demonstrates how the Council will fulfil this requirement in accordance with the Public Sector Internal Audit Standards.

The Annual Plan

2. The Annual Plan is a proposed work programme for the Internal Audit service for the forthcoming year. A copy of the Plan is attached at Annex A, and covers the period April 2017 to March 2018. The Plan is a combination of reviews that are conducted every year, together with those audits that are undertaken less regularly such as one off pieces of work, or audits conducted every 3 years.
3. The Plan is based on the Strategic Audit Plan, which is a medium term plan agreed every 3 years. The current 3 year plan expires March 2017, and a new 3 year plan has been prepared for committee approval.

Resourcing

4. A total number of 430 working days will be required to deliver next year's Plan, which does not include days required to cover annual leave, bank holidays and staff training. There are currently two FTE members of the audit team, a fully qualified Senior Auditor and a part qualified auditor. Additional resources may be brought in as and when required.

Requirements of External Audit

5. The Plan includes a series of audits that are required by the Council's external auditors who place reliance on the work undertaken by Internal Audit as part of their audit of the Council's set of accounts. Without this reliance, the external auditors reserve the right to re-perform some of the audit testing themselves over and above their normal work. This may lead to a financial cost to the Council.

Monitoring and reporting

6. Progress against the Plan and performance of the audit team is monitored during the year and reported to the Corporate Management Team. Major amendments to the Plan will be discussed and agreed in advance with the Executive Head Finance in consultation with the Audit committee.
7. Significant risks and findings identified by Internal Audit during the course of the year will be brought to the attention of senior management, and reported to Audit & Standards committee. Significant risks are also brought to the attention of the Council's Corporate Risk Management Group and considered for inclusion in the Corporate Risk Register. Internal Audit recommendations are followed up and any that have not been implemented or discharged in line with agreed timescales are reported to the Council's Performance Management Group (PMG) as well as Audit & Standards committee on a regular basis.

Corporate Plan

8. The work of Internal Audit supports the Council's Corporate Plan and helps to meet its corporate objectives and key priorities. The Internal Audit service is also an integral part of the Council's performance management system.

Resource implications

9. There are no resource implications arising from this report.

Recommendation

10. Members are asked to note and agree the Audit Annual Plan for 2017-18.

Annex: Copy of Audit Plan 2017-18.

Background Papers: None

Report Author: Alex Middleton 01276 707303
e-mail: alex.middleton@surreyheath.gov.uk

Executive Head: Kelvin Menon 01276 707257
e-mail: kelvin.menon@surreyheath.gov.uk

BUSINESS ACTIVITY	IA PLAN ALLOCATION	CYCLE	LAST AUDIT
FINANCE/ FUNDAMENTAL SYSTEMS			
Debtors and Income	7 days	annual	16/17
Creditors and Expenditure	7 days	annual	16/17
Main Accounting system	7 days	annual	16/17
Housing Benefits	7 days	annual	16/17
Revenues	7 days	annual	16/17
Treasury Management	7 days	annual	16/17
Cash and Bank	7 days	annual	16/17
Capital Accounting	7 days	annual	16/17
CORPORATE			
Media & Marketing	10 days	every 3 years	new area for audit
COMMUNITY			
Refuse and Recycling -inc. joint waste	10 days	annual	16/17
Joint Waste	15 days	annual	16/17
Environmental Health	15 days	every 3 years	10/11 - normally receives assurance from other external regulatory bodies
Emergency Planning, Business Continuity	10 days	annual	16/17
BUSINESS			
Parking	15 days	annual	16/17
Camberley Theatre	15 days	annual	16/17
Leisure Centres	20 days	every 2 years	13/14
Event Management- inc. SH Show, FL Live	12 days	annual	16/17
TRANSFORMATION			
ICT	20 days	annual	16/17
HR - inc. safeguarding	15 days	every 2 years	16/17
Information Management/DPA/FOA	15 days	every 3 years	15/16
Key Projects /Partnerships	20 days	annual	new area for audit
Payroll	7 days	annual	16/17
REGULATORY			
Planning Policy & Conservation	10 days	every 3 years	new area for audit
Private Sector Housing - inc. DFGs	20 days	every 3 years	14/15
Drainage	10 days	every 3 years	15/16
FINANCE			
Fraud Prevention & Detection	15 days	annual	15/16
LEGAL & PROPERTY			
Estate Management & Regeneration	25 days	annual	13/14- increased importance for council

TOTAL AUDIT DAYS	335
PLUS:	
CONTINGENCY	30
MANAGEMENT AND COMMITTEE	15
ADVICE, CONSULTANCY, WORKING GROUPS	30
TEAM SUPERVISION, PLANNING	20
TOTAL DAYS REQUIRED TO COMPLETE PLAN	430

This page is intentionally left blank