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Friday, 13 April 2018

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

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 Oliver Lewis

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 **Monday, 23 April 2018 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	
To receive apologies for absence and note the attendance of any substitute members.	
2 Minutes of the Previous Meeting	3 - 6
To approve as a correct record the minutes of the meeting of the Audit and Standards Committee meeting held on 8 th November 2017.	
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.

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|----------|---|----------------|
| 4 | Financial Statements Audit Plan 2017/18 | 7 - 26 |
| | To consider a report setting out the External Auditor's proposed plans for their audit of the Council's 2017/18 financial statements. | |
| 5 | Certification of Claims and Returns | 27 - 42 |
| | To consider a report setting out the outcome of an audit of the certification of claims and returns for Housing Benefit. | |
| 6 | Internal Audit Annual Report 2018/19 | 43 - 48 |
| | To consider a report seeking approval of the proposed Annual Plan for the Council's Internal Audit function for 2018/19. | |
| 7 | Annual Corporate Governance Statement | 49 - 60 |
| | To consider the Council's Corporate Governance Statement for 2017/18. | |

Date of Next Meeting

The next scheduled meeting of the Audit and Standards Committee will take place on Monday 30th July 2018 at 7pm.

Minutes of a Meeting of the Audit and Standards Committee held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on 8 November 2017

+ Cllr Paul Deach (Chairman)
+ Cllr Rebecca Jennings-Evans (Vice Chairman)

+ Cllr Rodney Bates
+ Cllr Edward Hawkins
+ Cllr Paul Ilnicki

+ Cllr Bruce Mansell
- Cllr Conrad Sturt

+ Present
- Apologies for absence presented

In Attendance: Adrian Flynn, Chief Accountant
Neil Hewitson, KPMG
Karen Limmer, Head of Legal Services
Cllr Alan McClafferty
Kelvin Menon, Executive Head: Finance

8AS Minutes of Previous Meeting

RESOLVED that the minutes of the Audit and Standards Committee meeting held on 10 July 2017 be approved as a correct record and signed by the Chairman.

9AS Declarations of Interest

There were no declarations of interest.

10AS 2016/17 Financial Statements

The Committee received a report setting out the Council's audited Financial Statements for 2016/17 and the External Auditor's ISA260 Report for 2016/17.

Neil Hewitson, KPMG, presented the ISA260 External Audit Report 2016/17. 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 2017 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 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 report included one recommendation arising from the audit. This concerned the risk around producing the accounts in accordance with the new timetable next year. This brings the unaudited accounts publication date to 31st May from 30th June and the audit completion date to 31st July from 30th September. The Council is seeking to address this through having an early closure in January to finalise the first 10 months and ensuring that the JPUT reports on time. All of the previous year's recommendations had been addressed and cleared.

It was reported that although the Council had produced its draft parent financial statements in line with statutory deadlines, however it was essential that the Council put plans in place to ensure that the required information was received from the subsidiary company in a timely fashion in future.

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

- In order to meet financial deadlines, the Council's assets were individually valued by a professional valuer as at the 31st December each year. An analysis by the auditors of the movement in property indices in the period from 1st January to the 31st March indicated that property values could have increased by potentially £471k. The Executive Head of Finance decided not to make this adjustment as the use of an index was only a representation of the movement in the property market as a whole and not based on a review of individual Council assets. As the adjustment was below the auditors £900,000 materiality threshold they were content for the adjustment not to be made.
- The Council's Information Governance Manager was running mandatory training for all Council staff on the Council's duty to comply with the General Data Protection Regulations and consideration was being given to the role of a Data Protection Officer.
- It was considered important that all members were familiar with the new data protection regulations and it was agreed that data protection training for members should be provided.

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.

11AS Disqualification Criteria for Local Authority Members

The Committee considered a report seeking feedback on Government proposals to update the criteria that barred individuals from becoming councillors.

The current criteria for disqualifying individuals from standing for election at a local level are set out in Section 80 of the Local Government Act 1972, paragraph 9 of Schedule 54B of the Local Democracy and Economic Development and Construction Act and Section 21 of the Greater London Authority Act 1999. Individuals can currently only be barred from standing for, or holding, office if they have within five years of the day of election, or since their election, been convicted in the UK, Channel Islands or Isle of Man of any offences and have received a sentence of imprisonment, suspended or not, for a period of not less than three months without the option of a fine.

The Government considers that these disqualification criteria no longer reflect the nature of sentencing options that can be conferred upon an individual to protect the public and address unlawful or unacceptable behaviour. The consultation proposes that, in addition to the original disqualification criteria, individuals who had been subject to the sex offender notification requirements or who were subject to certain anti-social behaviour sanctions should also be barred from standing for election or holding public office at a local level.

The Committee acknowledged that the proposals were well intentioned however concern was expressed that they could be construed as an infringement of people's privacy particularly in cases where convictions were considered to be spent and only needed to be

disclosed on a need to know basis. Furthermore a number of the penalties being used to tackle anti-social behaviour were based on new legislation and people would not be familiar with them so would not be aware of their potential impacts further down the line.

RESOLVED that:

- i. the Head of Legal Services meet with the Chairman and Vice-Chairman to draft a response to the consultation.
- ii. the draft response be circulated to the Committee for comment before its submission.

Chairman

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**FINANCIAL STATEMENTS AUDIT PLAN FOR
2017/18**

Portfolio:	Finance
Ward(s) Affected:	All

Purpose

To inform members on external audit's plan for the audit of the 2017/18 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 2017/18 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 consolidation of a subsidiary is more specific to Surrey Heath.
3. This year the financial statements have to be published by 31st May and audited by the 31st July. As a consequence of this reduced timetable the auditors commenced their work March and will be returning in June to complete it. This will ensure that they are on track to report back to this committee on the 30th July 2018.

Resource Implications

4. The cost of the audit, as agreed nationally, is set out on page 13.
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.
6. This will be the last year the Council has KPMG as its auditor and next year the Council's auditor will be BDO. BDO were appointed by the Public Sector Audit Appointments (PSAA) which tenders for and allocates auditors across England.

Recommendation

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

Contact:

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External Audit Plan 2017/18

Surrey Heath Borough Council

March 2018

Financial Statement Audit

There are no significant changes to the Code of Practice on Local Authority Accounting (“the Code”) in 2017/18, which provides stability. Deadlines for producing and signing the accounts have advanced. This is a significant change and needs careful management to ensure the new deadlines are met. To meet the revised deadlines it is essential that the draft financial statements and all ‘prepared by client’ documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2017.

Authority significant risks

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

- **Valuation of land and buildings:** Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension liabilities:** The valuation of the Authority’s pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation; and
- **Value of investment properties:** The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. In 2016/17 the Authority reported investment properties with a total value of £43.9m. The Authority exercises judgement in determining the fair value of these assets 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 fair value, including the use of external experts, we consider this to be an area of significant risk.

Value for Money Audit

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risk to date:

- **Financial resilience:** As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years and pursue income generation strategies. We will consider how the Authority identifies, approves, and monitors savings plans and income generation projects and how budgets are monitored throughout the year.

Other information

Logistics and team

Our team is led by Neil Hewitson, Director, and Satinder Jas, Manager.

Our work will be completed in four phases from February to July and our key deliverables are this Audit Plan and a Report to Those Charged With Governance.

Fees

Our fee for the 2017/18 audit is £45,905* (£47,926 2016/2017). This is in line with the scale fees published by PSAA and includes an additional £4,005 awaiting reconfirmation from the PSAA for the audit of the group accounts.

Acknowledgement

We thank officers and Members for their continuing help and cooperation throughout our audit.

Content

The contacts at KPMG in connection with this report are:

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Headlines

1. Introduction	3
2. Financial statements audit planning	4
3. Value for money arrangements work	10
4. Other matters	12

Appendices

- 1: Key elements of our financial statements audit approach
- 2: Independence and objectivity requirements
- 3: Quality framework

This report is addressed to Surrey Heath Borough Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA'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 Authority, 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 (0207 694 8981, 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 3H.

1. Introduction

Background and statutory responsibilities

This plan supplements our 2017/18 audit fee letter 2017/18 dated 25/04/17, which set out details of our appointment by PSAA.

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the NAO's Code of Audit Practice and the PSAA Statement of Responsibilities.

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

- **Financial statements:** Providing an opinion on your accounts. We review the Annual Governance Statement and Narrative Report and report by exception on these; and
- **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. Any change to our identified risks will be reporting to the Audit Committee.

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Financial statements audit

Our financial statements audit follows a four stage process:

- Financial statements audit planning
- Control evaluation
- Substantive procedures
- Completion

Appendix 1 provides more detail on these stages. This plan concentrates on the Financial Statements Audit Planning stage.

Value for Money

Our Value for Money (VFM) arrangements workflow follows a five stage process:

- Risk assessment
- Links with other audit work
- Identification of significant VFM risks
- Review work (by ourselves and other bodies)
- Conclude
- Report

Page 10 provides more detail on these stages. This plan concentrates on explaining the VFM approach for 2017/18.

2. Financial statements audit planning

Financial statements audit planning

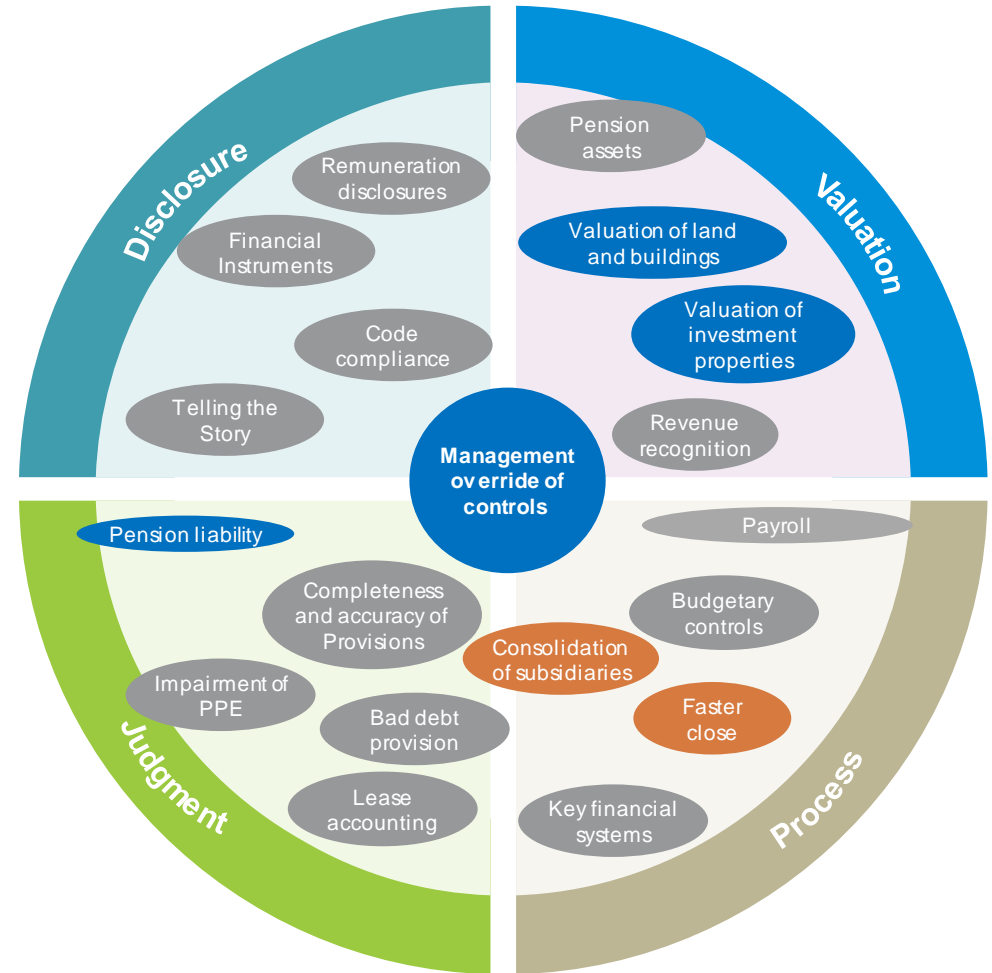
Our planning work takes place December to February 2018 and involves: determining materiality; risk assessment; identification of significant risks; consideration of potential fraud risks; identification of key account balances and related assertions, estimates and disclosures; consideration of Management's use or experts; and issuing this plan to communicate our audit strategy.

Authority risk assessment

Professional standards require us to consider two standard risks. We are not elaborating on these standard risks in this plan but consider them as a matter of course 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 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.



Key: ● Significant risk ● Other area of audit focus ● Other areas considered

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2. 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 in relation to the Authority.

Valuation of land and buildings

Risk: The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. In 2016/17 the Authority reported Property, Plant and Equipment with a total value of £46.2m, which included other land and building assets totalling £40.6m

The Authority has adopted a rolling revaluation model which sees land and buildings revalued over a five year cycle. As a result individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at year end.

Approach: We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will assess the risk of the valuation changing materially in year. We will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).

Valuation of investment properties

Risk: The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. In 2016/17 the Authority reported investment properties with a total value of £43.9m.

As required by the CIPFA Code investment properties are revalued every year. The Authority exercises judgement in determining the fair value of these assets and the methods used to ensure the carrying values recorded each year reflect those fair values. There is also an inherent risk that some investment property assets may not have been revalued each year. Given the materiality in value and the judgement involved in determining the fair value, including the use of external experts, we consider this to be an area of significant risk.

Approach: We will understand the Authority's approach to investment property valuation. We will assess the qualification, objectivity and independence of the Authority's valuers when carrying out valuations. We will review the methodology used (including testing the underlying data and assumptions). We will confirm that the accounting records have been updated in line with the valuer's reports.

2. Financial statements audit planning

Pension liabilities

Risk: The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Surrey County Council Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. Valuation of the Local Government Pension Scheme relies on assumptions, most notably actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. Assumptions should reflect the profile of the Authority's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Approach: We will review controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will liaise with the auditors of the Pension Fund to gain an understanding of the effectiveness of controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will evaluate the competency, objectivity and independence of Hyman Robertson.

We will review the appropriateness of key assumptions in the valuation, compare them to expected ranges, and consider the need to make use of a KPMG actuary. We will review the methodology applied in the valuation by Hyman Robertson. In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.

0123456789

2. Financial statements audit planning

Authority 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.

Consolidation of subsidiary investments

Risk: In 2016/17 The Authority has undertaken the purchase of the Jersey Unit Trust. This is the second year the Authority will need to include this subsidiary as part of group accounts in their financial statements, and the first year in which a full year's transactions of the Trust will be reflected in the group accounts. The year end date for the subsidiary is 31 December, therefore the Authority will need to use management accounts to calculate the remaining disclosure to ensure it matches their year end of 31 March 2018.

Approach: We will liaise with the Jersey Trust auditor and confirm their professional qualification, experience and independence. We will also issue them with group audit instructions to ensure that their audit is conducted to an acceptable level of scope and precision;

We will review the Authority's impairment review;

We will compare the accounting transactions between the subsidiary and the Authority and confirm that any inter-group transactions have been corrected adjusted; and

We will test the classification and accuracy of the investments in the Authority's accounts and review the presentation of the consolidated group accounts.

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2. Financial statements audit planning

Faster close

Risk: In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.

These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.

To meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. There are logistical challenges that will need to be managed including:

- Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries, subsidiaries and subsidiary auditors) are aware of the revised deadlines and have made arrangements to provide the output of their work accordingly;
- Revising the closedown and accounts production timetable to ensure that all working papers and supporting documentation are available at the start of the audit;
- Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a risk that the audit will not be completed by the 31 July deadline. There is an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not seen as a breach of deadlines.

Approach: We will continue to liaise with officers in preparation for our audit to understand the steps the Authority is taking to meet the revised deadlines. We will look to advance audit work into the interim visit to streamline the year end audit work. Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.

2. 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.

For the Group materiality for planning purposes has been set at £900k which equates to 1.9% of 2016/17 group expenditure. The threshold above which individual errors are reported to Audit Committee is £45K.

For the Authority materiality for planning purposes has been set at £900k which equates to 2% of 2016/17 Authority expenditure. The threshold above which individual errors are reported to Audit Committee is £45K.

Reporting to the Audit 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 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 Group we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45K.

In the context of the Authority we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45K.

If Management has corrected material misstatements identified during the audit, we will consider whether those corrections should be communicated to Audit Committee to assist it in fulfilling its governance responsibilities.

Group audit

In addition to the Authority we deem the following subsidiaries to be significant in the context of the group audit: *Jersey Property Unit Trust*

To support our audit work on the group accounts, we seek to place reliance on the work of PwC who are the auditors to this subsidiaries. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and they satisfy professional requirements.

We will report the following matters in our Report to those charged with Governance:

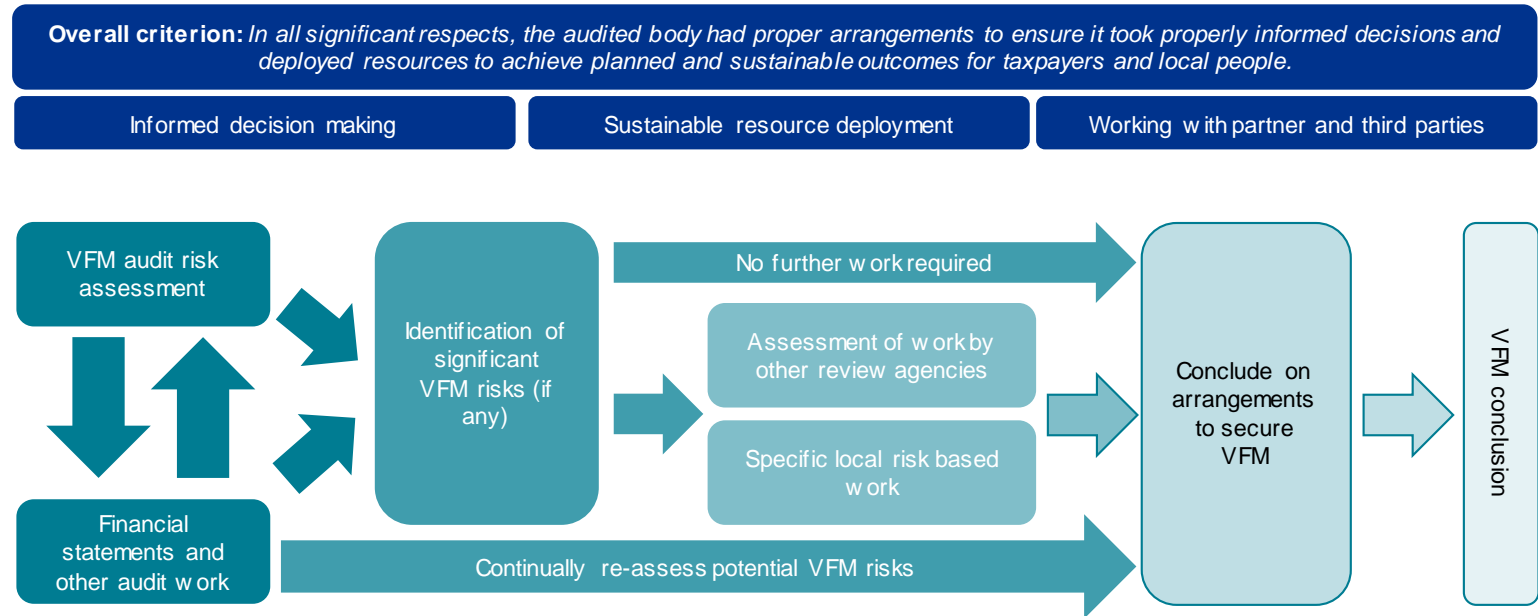
- Deficiencies in the system of internal control or instances of fraud which the subsidiary auditors identify;
- Limitations on the group audit, for example, where our access to information may have been restricted; and
- Instances where our evaluation of the work the subsidiary auditors gives rise to concern about the quality of that auditor's work.

3. Value for money arrangements work

For our value for money conclusion we are required to work to the NAO Code of Audit Practice (issued in 2015 after the enactment of the Local Audit and Accountability Act 2014). Our approach to VFM work follows the NAO's new guidance that was first introduced in 2015-16, is risk based and targets audit effort on the areas of greatest audit risk. We have planned our audit to draw on our past experience of delivering this conclusion and have updated our approach as necessary. We will also consider reports from your regulators and review agencies.

The Local Audit and Accountability Act 2014 requires auditors of NHS Bodies to be satisfied that the organisation "has made proper arrangements for securing economy, efficiency and effectiveness in its Value for Money". 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 process is shown in the diagram below:



We have completed our initial VFM risk assessment and have identified a significant risk for the VFM conclusion – see overleaf.

3. Value for money arrangements work

VFM significant risk

Financial Resilience

Risk: 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.

As part of its 2017/18 budget setting process, the Authority identified the need to make savings of £6.3m. The budget for 2017/18 is £3.1m less than the budget for 2016/17. The current forecast shows that the Authority will deliver break even and meet its budget of £11.3m for 2017/18.

The Authority's budget for 2018/19 was approved at the Council meeting on 21 February 2018 and shows an increase of £561k on prior year.

Approach: We will review overall management arrangements that the Authority has for managing its financial position. This will include the processes to maintain a robust Medium Term Financial Strategy, ongoing monitoring of the annual budget, responsiveness to increasing costs of demand led services and changes in funding allocations the governance arrangements of how the figures are reported through to Cabinet.

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4. 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 2017/18 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 where we interview an officer and review evidence to form our decision to a more detailed piece where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised. Costs incurred responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with PSAA's fee scales.

Our audit team

Your audit team has been drawn from our specialist public sector assurance department and is led by two key members of staff:

Neil Hewitson: your Director has overall responsibility for the quality of the KPMG audit work and is the contact point within KPMG for the Audit Committee, the Chief Executive and Finance Director.

Satinder Jas: your Manager is responsible for delivery of all our audit work. He will manage the completion of the different elements of our work, ensuring that they are coordinated and delivered in an effective manner.

The core audit team will be assisted by other KPMG staff, such as risk, tax, clinical or information specialists as necessary to deliver the plan.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but in ensuring that the audit team is 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 Committee. Our communication outputs are included in Appendix 1.

Independence and objectivity

Auditors are required to be independent and objective. Appendix 2 provides more details of our confirmation of independence and objectivity.

4. Other matters

Audit fee

Our Audit Fee Letter 2017/2018 presented to you on 25 April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the S151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

Our fee for the 2017/18 audit is £45,905* (£47,926 2016/2017). This is in line with the scale fees published by PSAA and includes an additional £4,005 awaiting reconfirmation from the PSAA for the audit of the group accounts.

Grants and claims work

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements:

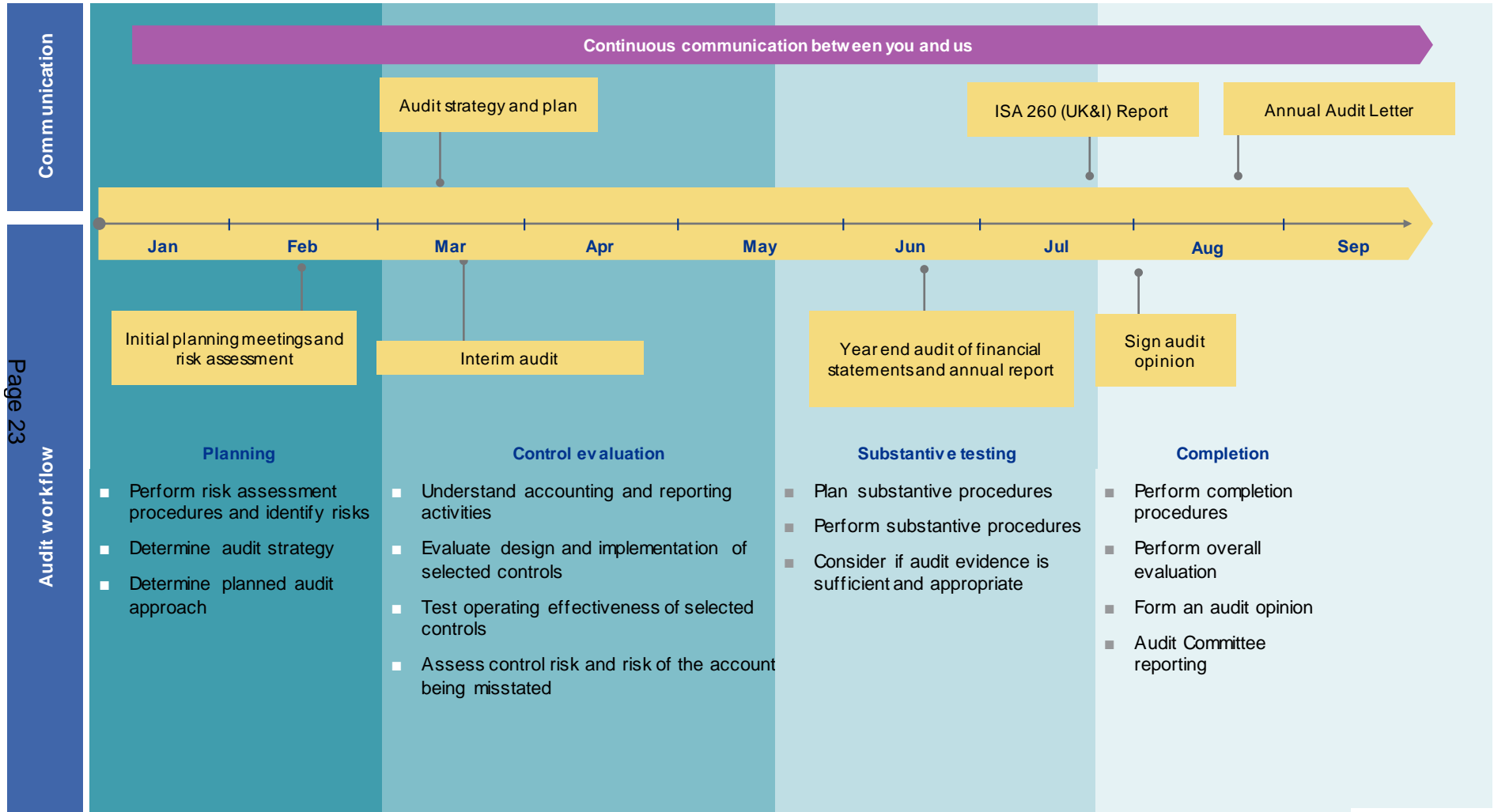
Housing benefits grant claim: This audit is planned for August 2018. Our fee for this work is £11,411 (£8,430 in 2016/17).

Public interest reporting

In auditing the accounts as your auditor we must consider whether, in the public interest, we should make a report on any matters coming to our notice in the course of our audit, in order for it to be considered by Members or brought to the attention of the public; and whether the public interest requires any such matter to be made the subject of an immediate report rather than at completion of the audit.

At this stage there are no matters that we wish to report.

Appendix 1: Key elements of our financial statements audit approach



Appendix 2: Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF SURREY HEATH BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: General procedures to safeguard independence and objectivity; Breaches of applicable ethical standards; Independence and objectivity considerations relating to the provision of non-audit services; and Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values; Communications; Internal accountability; Risk management; and Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Confirmation of audit independence

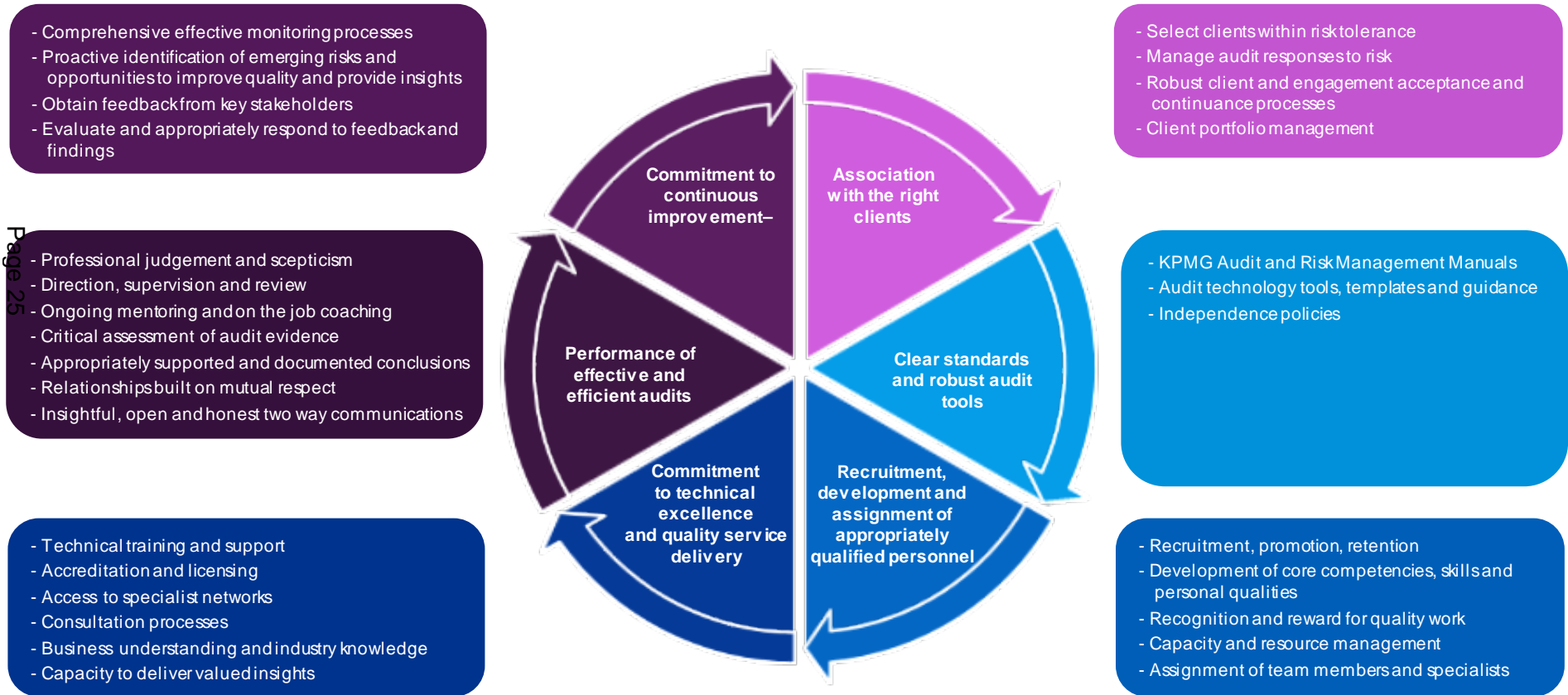
We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Appendix 3: Quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





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This report is addressed to the Authority and has been prepared for the sole use of the Authority. 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.psa.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 Authority, 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 2016/17

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 2016/17

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 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 2016/17

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

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

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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

2017

(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

BEN-01

(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

23/11/17

CF2 ref

KPMG-SHBC-BEN01

CF2 (1-16 PSAA)

(To be printed on appointed auditor's letter headed paper i.e. an original print of the appointed auditor's corporate design; neither photocopies nor copies reproduced from a master are acceptable)

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**Statement of Local Authority claimed entitlement to
HOUSING BENEFIT SUBSIDY for 2016/2017.**

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 2017**; deadline for receipt of the auditor-certified claim is **30 NOVEMBER 2017**.

FINAL SUBSIDY CLAIM FOR HOUSING BENEFIT - 2016/2017

SUBSIDY CLAIMED FOR RENT REBATES (Cell 036S + Cell 076S)	95,486	003
SUBSIDY CLAIMED FOR RENT ALLOWANCE (Cell 129S)	15,865,883	004
ADMINISTRATION SUBSIDY RECEIVED	179,474	005
TOTAL REDUCTION FOR PRIOR YEAR UNCASHED PAYMENTS (Cell 179S)	2,301	006
TOTAL SUBSIDY CLAIMED Cells (003 + 004 + 005) - (006)	16,138,542	007
LESS INTERIM BENEFIT SUBSIDY	15,725,534	008
BALANCE NOW OWED TO OR BY(-) AUTHORITY (Cell 007 - Cell 008)	413,008	009

PLEASE PROVIDE A LOCAL AUTHORITY CONTACT:Name: *ROBERT FOX*Telephone No. (+STD) *01276 70156*Ext *Direct line.*

Completed final claim should be returned by e-mail to: HBSubsidy@dwp.gsi.gov.uk		FOR DEPARTMENT USE ONLY	
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	Input by	<input type="text"/>
		Date	<input type="text"/>
		Authorised	<input type="text"/>
		Date	<input type="text"/>

Cell 010 - Spare

RENT REBATES (TENANTS OF NON-HRA PROPERTIES)

**TOTAL EXPENDITURE
(Benefit Granted)**

96,880 011

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).

21,923

012

1.00

21,923

012S

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

0

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).

73,692

014

1.00

73,692

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.	33	026	NIL	0	026S
---	----	-----	-----	---	------

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

Eligible overpayments.	1,232	028	0.40	493	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.		032	NIL	0	032S
-------------------------	--	-----	-----	---	------

Eligible overpayments.	1,091	033	0.40	436	033S
------------------------	-------	-----	------	-----	------

TOTAL SUBSIDY CLAIMED AT FULL RATE

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

94,524	034S
--------	------

TOTAL SUBSIDY CLAIMED AT REDUCED RATES

Cell 035S = 028S + 033S.

929	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.)

95,486	036S
--------	------

IN-YEAR RECONCILIATION

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

96,880	037
--------	-----

BACKDATED EXPENDITURE

594	038
-----	-----

Cells 039 to 054 - Spare

RENT REBATES (TENANTS OF HRA PROPERTIES)

TOTAL EXPENDITURE (Benefit Granted)

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

	055
--	-----

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

Cells 056 to 057 - Wales only
Cell 058 - Spare

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)**

16,039,740	094
------------	-----

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

REGULATED TENANCIES

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

114,247	095
---------	-----

1.00	114,247	095S
------	---------	------

**EXPENDITURE UNDER THE RENT OFFICER ARRANGEMENTS:
 CASES REFERRED TO THE RENT OFFICER BY 30 APRIL 2017 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.

9,778	098
-------	-----

1.00	9,778	098S
------	-------	------

MAXIMUM RENT CASES

Total expenditure up to the maximum rent.

471,334	099
---------	-----

1.00	471,334	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 2017**

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 2017.		100	1.00	0	100S
---	--	-----	------	---	------

**EXPENDITURE UNDER THE RENT OFFICER ARRANGEMENTS:
CASES REQUIRING REFERRAL BUT NO REFERRAL MADE BY 30 APRIL 2017**

Expenditure where there is no current determination and no referral made by 30 April 2017.		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.	10,053,757	102	1.00	10,053,757	102S
--	------------	-----	------	------------	------

LHA EXPENDITURE

Total expenditure in claims administered under LHA rules.	5,120,411	103	1.00	5,120,411	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).		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.

13,945	109	1.00	13,945	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.

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

DWP overpayments not recovered.

495	112	1.00	495	112S
-----	------------	-------------	-----	-------------

LA error and administrative delay overpayments.

37,734	113	NIL	0	113S
--------	------------	------------	---	-------------

Eligible overpayments.

218,039	114	0.40	87,216	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.

71	119	1.00	71	119S
----	------------	-------------	----	-------------

LA error and administrative delay overpayments.

17,753	120	NIL	0	120S
--------	------------	------------	---	-------------

Eligible overpayments.

96,876	121	0.40	38,750	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).

15,669,338	125S
------------	------

TOTAL SUBSIDY CLAIMED AT REDUCED RATES

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

125,966	126S
---------	------

TOTAL RENT ALLOWANCE SUBSIDY CLAIMED

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

15,850,791	127S
------------	------

MODIFIED SCHEME SUBSIDY

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

15,092	128S
--------	------

TOTAL SUBSIDY

Cell 129S = 127S + 128S

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

15,865,883	129S
------------	------

IN-YEAR RECONCILIATION

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

16,039,740	130
------------	-----

BACKDATED EXPENDITURE

33,995	131
--------	-----

Cells 132 to 178 - Spare

SUBSIDY ADDITIONS AND DEDUCTIONS

UNCASHED PAYMENTS

Subsidy reduction in respect of uncashed payments prior to 2016/2017 (The amount in cell 179S is entered in cell 006.)

2,301	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)

15,763,862	201
------------	------------

Lower threshold (cell 201 x 0.48%).

75,667	202
--------	------------

Upper threshold (cell 201 x 0.54%).

85,125	203
--------	------------

TOTAL LA ERROR AND ADMINISTRATIVE DELAY OVERPAYMENTS
(Cells 026 + 031 + 065 + 070 + 113 + 120)

55,520	204
--------	------------

SUBSIDY CALCULATION

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

55,520	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)).

55,520	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.

33	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.

55,487	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)

15,946,277	212
------------	------------

Enter 0.2% of cell 212.

31,893	213
--------	------------

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

20,123	214
--------	------------

Enter 75% of cell 214.

15,092	215
--------	------------

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

15,092	216S
--------	-------------

RENT REBATE SUBSIDY LIMITATION SCHEME

2016/17 weekly rent limit.	0.00	217
Derogation from Rent Rebate subsidy limitation, if granted.	0.00	218
Average weekly rent for 2016/17 excluding affordable rents (rent for Rent Rebate subsidy limitation purposes).		219
Rental income for 2016/17 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 2016/17 (this is the figure entered in cell 055 minus the figure entered in cell 079).	0	222
Proportion of rental income rebated in 2016/17. (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 0.752, cell 224 = (cells 217 + 218)/cell 219;

If cell 219 is greater than cells 217 + 218 and if cell 223 is greater than 0.752, cell 224 = 1 - (((cell 219 - (cells 217 + 218))/cell 219) x (0.752/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	
		20,123	20,123	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 Regulations 2006;

this claim for subsidy is on the form required by the Secretary of State and the information given on it is in accordance with that Act 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 : 30.4.17

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) **KELVIN MENON**

Position held : **SECTION 151 OFFICER**

* Delete as necessary

CERTIFICATE OF AUDITOR APPOINTED BY PUBLIC SECTOR AUDIT APPOINTMENTS

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.

~~†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 †we have carried out the tests in Certification Instruction number BEN01 and obtained such evidence and explanations as †we consider necessary.~~

~~(Except for the matters raised in the attached qualification letter dated _____)*
†we have concluded that the claim or return is:~~

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

Signature *U/M4 LLP*

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

Date *23/11/17.*

* Delete as necessary

Internal Audit Report

Portfolio	Finance
Ward(s) Affected: n/a	

Purpose

To consider and approve the 2018-19 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 2018 to March 2019. The Plan is a combination of reviews that are conducted every year, together with those audits that are undertaken less regularly such as ad hoc pieces of work, or audits conducted every 3 years.
3. The Plan is based on the audit Strategic Plan, a medium term plan covering 3 years which is agreed at Members and senior officer level. The current 3 year plan expires in 2020.

Resourcing

4. A total number of 430 working days will be required to deliver next year's plan, excluding 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 when necessary.

Requirements of External Audit

5. The Annual Plan includes a range 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 additional audit testing themselves over and above their normal work. This may lead to a financial cost to the Council.

6. Included within the Plan is an element for contingency and management advice, which have been included to assist senior management with any unscheduled pieces of work that crop up mid-year.

Monitoring and reporting

7. Progress against the Annual Plan and performance of the audit team is monitored during the year and reported to the Chief Executive, the relevant Executive Head and the Section 151 Officer. Material changes to the plan will be discussed and agreed in advance with the Executive Head and the Section 151 Officer as necessary.
8. Significant risks and findings identified by Internal Audit during the course of the year will be brought to the attention of the Chief Executive, the Section 151 Officer and 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, which is updated on an annual basis. Internal Audit recommendations are followed up and any that have not been implemented or discharged in line with agreed timescales are reported to senior management and the Audit & Standards committee.

Corporate Plan

9. The work of Internal Audit supports the Council's Corporate Annual 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.

Overdue Audit Recommendations

10. An exercise to review the status of internal audit recommendations is carried out each quarter, with **essential** recommendations remaining overdue without having been granted an extension being reported to committee every 6 months. As at March 2018 there were no **essential** outstanding recommendations due.

Resource implications

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

Recommendation

12. Members are asked to note and agree the internal audit Annual Plan for 2018-19.

Annex: Annual Plan for 2018-19

Background Papers: None

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Executive Head: Louise Livingston 01276 707403
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BUSINESS ACTIVITY	IA PLAN ALLOCATION	CYCLE	LAST AUDITED
FUNDAMENTAL SYSTEMS			
Debtors and Income	8 days	annual	17/18
Creditors and Expenditure	8 days	annual	17/18
Main Accounting system	8 days	annual	17/18
Housing Benefits	8 days	annual	17/18
Revenues	8 days	annual	17/18
Treasury Management	8 days	annual	17/18
Cash and Bank	8 days	annual	17/18
Capital Accounting	8 days	annual	17/18
CORPORATE			
Democratic Services & Elections	11 days	election period	16/17
Media & Marketing	10 days	every 3 to 4 years	N/A
COMMUNITY			
Waste Management	20 days	annual	16/17
Emergency Planning, Business Continuity	10 days	annual	17/18
Centres for Older people	12 days	every 3 years	15/16
BUSINESS			
Parking	15 days	annual	17/18
Camberley Theatre	15 days	annual	17/18
Leisure Centres	15 days	every 2 to 3 years	13/14
Event Management	15 days	annual	17/18
TRANSFORMATION			
ICT	20 days	annual	17/18
Information Management/GDPR/FOA	15 days	every 2 to 3 years	17/18
Payroll	8 days	annual	17/18
Key Projects /Partnerships	15 days	annual	16/17
REGULATORY			
Private Sector Housing - inc. DFGs	15 days	every 3 years	14/15
Family Support	15 days	every 3 years	new
Land Charges	10 days	every 3 to 5 years	10/11
FINANCE			
Fraud Prevention & Detection	10 days	annual	17/18
Insurance	10 days	every 3 years	15/16
LEGAL & PROPERTY			
Estate Management	15 days	annual	16/17
CHIEF EXECUTIVE			
Investment & Development	15 days	annual	new

TOTAL AUDIT DAYS 335

PLUS:

CONTINGENCY 30
MANAGEMENT AND COMMITTEE 15
ADVICE, CONSULTANCY, WORKING GROUPS 20
TEAM SUPERVISION, PLANNING 30

TOTAL DAYS REQUIRED TO COMPLETE PLAN 430

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ANNUAL GOVERNANCE STATEMENT

Portfolio	Finance
Ward(s) Affected:	n/a

Purpose

The purpose of this report is to advise the Committee of the draft of the Annual Corporate Governance statement which will form part of the 2017/2018 annual accounts and will be signed by the Leader of the Council and the Chief Executive.

1. Background

- 1.1 The Council is required to produce an Annual Governance Statement as part of the final accounts for the financial year and statement is signed by the Leader of the Council and the Chief Executive. The draft Statement is attached at Annex A to this report.
- 1.2 The Statement informs stakeholders of the Governance arrangements within the Council, addresses the key issues for the year and picks up those considered in the previous year.
- 1.3 The document is informed by the annual work of the Executive, the Corporate Management Team, the Internal Audit team, the Council's risk process and the general control systems in place within the Council. It provides a review of the Council's governance arrangements in accordance with the guidance issued by CIPFA.

2. Resource Implications

- 2.1 There are no resource implications.

3. Options

- 3.1 The document is a statutory requirement.

4. Supporting Information

- 4.1 The draft document is attached at Annex A.

5. Officer Comments

- 5.1 The document has been reviewed by the Council's Section 151 Officer.

6. Recommendation

- 6.1. The Standards and Audit Committee is advised to NOTE and comment, if appropriate, to the Executive on the draft of the Annual Governance Statement.

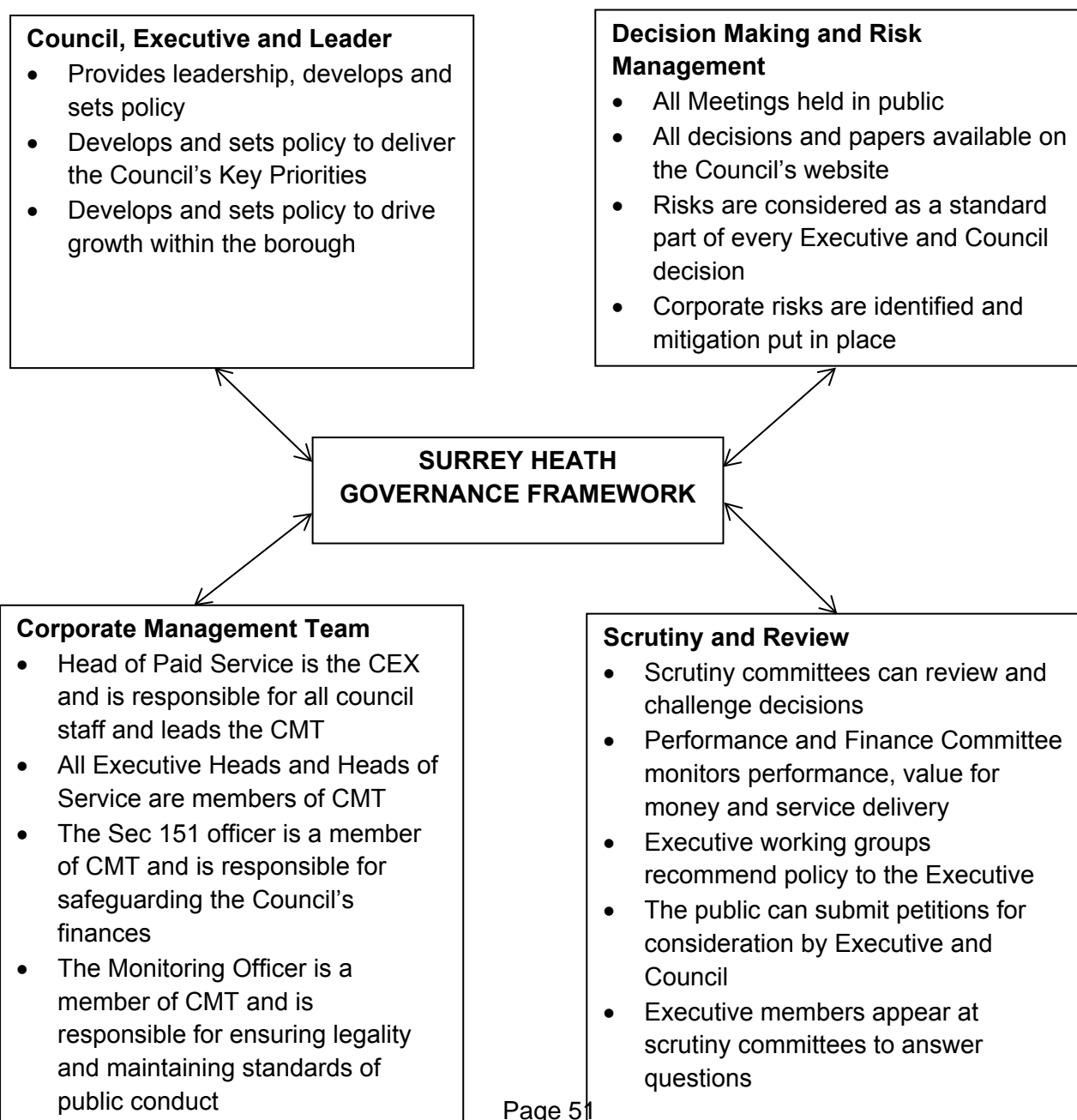
Annexes	Annual Governance Statement
Background Papers	None
Author/Contact Details	Karen Limmer - Head of Legal Services Karen.limmer@surreyheath.gov.uk

ANNUAL GOVERNANCE STATEMENT 2017/18

INTRODUCTION

Local authorities are statutorily required to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities to be responsible for ensuring that: their business is conducted in accordance with all relevant laws and regulations; public money is safeguarded and properly accounted for; and resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people. The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK



HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

The Council has approved and adopted a Code of Corporate Governance together with a number of other strategies and processes, such as financial regulations, codes of conduct etc. which strengthen corporate governance.

Set out below is how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2017/18.

PRINCIPLE A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council has a Code of Conduct for elected Members, and a Code of Corporate Governance which provides guidance for Officers and Members on expected standards of behaviours to ensure integrity. Members and officers receive training in Code of Conduct and behaviour issues. The Audit and Standards Committee and Monitoring Officer ensure that the Code of Conduct is up to date and investigate any suspected breaches.

All officers and Members must also sign up to the Council's Anti- Fraud and Corruption Policy and declare any interests they may have or gifts they have received which are then recorded in a Register. The Whistleblowing Policy provides protection for individuals to raise concerns in confidence about suspect behaviour and ensures that any concerns raised are properly investigated. The policy is available on the website and forms part of the Council's induction process. A Bribery Policy is also in place. The Council has an internal corporate enforcement team who will investigate any suspected fraud or corruption and report their findings directly to the Monitoring Officer for action to be taken if required.

All Council decisions have to consider legal implications which are included as a standard paragraph in the report being considered. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required then the Council will engage external advisers. The Section 151 and Monitoring Officers have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to members.

The Council has a strong internal audit function that audits all of the Council's functions on a cyclical basis. It reports its findings to the Corporate Management Team and the Audit and Standards Committee on a regular basis. It also has a direct reporting line to the Chief Executive on matters requiring immediate action.

The Council has an Equality Strategy as well as a staff Equality Action Group which champions equalities throughout the organisation. There is also a Member Equality Working Group looking at ways to engage the community.

PRINCIPLE B

Ensuring openness and comprehensive stakeholder engagement

All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and, public meetings, except those determined as exempt from publication.

The Council's Constitution sets out how it engages with stakeholders and has representation on the governing bodies of external organisations including the local housing association, CCG, and other joint bodies.

This year the Council continued with its "Talk Surrey Heath" webcast where residents are able to ask questions of the Leader, Executive Members, Service Heads and the Chief Executive via a live webcast on different topics during the year. Topics discussed include the Town Centre, Annual Plan, Planning, changes to the Refuse Service and Finance.

The Council holds two business breakfasts during the year to present the work of the Council and to discuss matters of common interest to local businesses. The Council sends every household a copy of the quarterly magazine – Heathscene – which includes articles of interest affecting local residents. The Council also utilises various online communication channels including Twitter, Instagram, Facebook, LinkedIn and YouTube. More specific e-bulletins and publications are created for various communities of interest, such as businesses, theatre users etc as well as for changes in services such as the new waste collection arrangements.

PRINCIPLES C AND D

Defining, optimising and achieving outcomes

This year the Council has in place a five year strategy covering 2017 to 2022 based around 4 themes. These are People, Place, Prosperity and Performance. For each of these themes there are high level objectives and underneath are the priorities. A new Annual Plan is approved by Members each year which sets out the key targets which will be delivered for the year to further the priorities. These targets feed through in to project plans and individual staff and team objectives. This is to ensure that specific outcomes in relation to the five year strategy are defined for key service areas, can be delivered and monitored.

Each service also plans out how it will deliver the outcomes relevant to its area of work in the context of the agreed budget for the year ahead. Services challenge each other through the Corporate Management Team to ensure their budgets deliver value for money.

To ensure that the Council continues to deliver sustainable social and environmental benefits, there is an Economic Development Plan, as well as a series of more specific strategies. These include the Health and Well Being Strategy, Housing Strategy, Drainage Strategy and the Air Quality Strategy.

All service decisions are subject to scrutiny by Executive which includes a review of options and risks by officers and Members. Key performance indicators are in place for all services and these are reported bi annually, together with performance against the Annual Plan, to members for discussion and potential intervention where expected performance is not being achieved.

The Council has been through a programme of significant transformation over the last few years and continues to review ways of working in order to increase efficiency, reduce costs and adapt to changing legislative requirements. The Council has invested in new technology to enable services to work more efficiently. During the year a number of IT applications were upgraded and the Council started to introduce Okta (single sign on) and “box” for the storage of its documents in order to support collaborative working and enable agile working.

The Council also works closely at all levels with other authorities to learn and understand how best practice has been delivered elsewhere.

PRINCIPLE E

Developing capacity and capability

A key element of the Council's service planning is to maximise the investment in staff through training to enhance the qualifications and skills to enable them to fulfil their roles and potentially progress within the organisation. Several staff have obtained qualifications through this route and have progressed as a result. The Council has maintained its training budget despite reductions in other areas to ensure that it can develop staff for the future and deal with shortages in key areas such as planning. Training Requirements are reviewed for all staff as part of their annual appraisal which highlights areas of development required to enable them to fulfil their objectives for that year. The Council provides mandatory training for all staff where appropriate. In the current year, training on the new General Data Protection Regulations (GDPR), in preparation for its introduction on 25 May 2018, was made mandatory for all staff. The Council is also a member of the Surrey Learn Partnership which offers cost effective personal skills training in areas such as management skills, communication skills and personal effectiveness on a Surrey wide basis. Members are also able to access a range of training opportunities, some of which are mandatory i.e. planning for members of those committees. The Council has a full induction programme for staff and members.

During the year, two more apprentices were appointed, to add to those already in place, whom the Council are supporting through training and experience. This is seen as a key route to attract staff to the Council and to enable it to address skill shortages in the future. The Council operates a flexible working policy for employees to enable them to achieve a positive work life balance. In addition investment has been made in technology to enable agile working and thereby increase productivity for services such as Planning and Building Control.

The Council works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. Surrey Heath is the lead authority in a collaborative partnership of four authorities which are

delivering waste collection under a single contract. Discussions are on-going to extend this arrangement to other Councils in Surrey. The Council has also extended its joint arrangements with other Councils in areas such as Environmental Health and Community Services.

PRINCIPLE F

Managing risks and performance

The Risk Management Strategy sets out the Council's approach to identifying and controlling risk. A Corporate Risk Register is maintained at a corporate level with significant risks reported to CMT and to the Performance and Finance Committee each year. Progress against the Annual Plan objectives and KPI's are reported bi-annually to members. The Council has in place Financial Regulations, which set out expected processes and internal controls, which are monitored on a regular basis.

The internal audit team provide regular reports on the effective operation of these controls together with an annual assessment of the overall control environment. The Council has a dedicated Information Governance Manager responsible for information governance, security and records management. The annually reviewed Information Security Policy governs how information should be securely handled, transmitted, stored and maintained. All staff were required to attend mandatory training on the new General Data Protection Regulations and a new Data Protection Officer has also been appointed. Further work is planned during the coming months to ensure compliance with the GDPR and the new Data Protection Act, following guidance issued by the Information Commissioner's Office. Information Management is recorded on the Corporate Risk Register and with the increase in potential fines the initial impact is high but is reduced to low with the Council's commitment to management of information.

The Council recognises that it does not have the expertise internally in all matters and engages external advisors as appropriate for example in relation to the Town Centre, Regeneration Development and Planning Appeals.

The Council submits reports on its performance in complaints, planning, environmental protection and a number of other areas to Members each year for discussion and comment.

The Council invested in property in the town centre and is bringing forward plans to regenerate both the Square shopping centre and the London Road Development opportunity. It recognises that this carries a significant level of commercial and financial risk and it has appointed professional agents and legal advisers to manage and advise on these areas.

PRINCIPLE G

Implementing good practices in transparency, reporting, and accountability

All Council agendas and supporting information, unless exempt, set out the reasons for the decisions made. The Council works to provide clear and accurate information, and has developed both its website and the format of Council reports to improve transparency and accessibility. The Council reports performance against targets, its Annual Plan objectives and financial budgets on a regular basis. All overdue

essential audit recommendations are reported to the CMT and the Audit and Standards Committee, to ensure that officers undertake any follow up actions as appropriate.

REVIEW OF EFFECTIVENESS

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

One of the key assurance statements the Council receives each year is the annual report from Internal Audit and the opinion of the Internal Audit Manager (Section 151 Officer). A total of 25 internal audits have been carried out in the year to date, or are in the process of being carried out. 23 of these are from the audit annual plan as well as a further 2 unscheduled reviews. These have included individual audits of housing, development control, health and safety and fraud which are not reviewed every year. All final audit reports for the financial year to date have been given a substantial level of assurance, there have been no limited assurance reports issued.

In the same time period, Internal Audit have raised 83 audit recommendations, 5 of which were classified as essential, and the Internal Audit team regularly monitors all recommendations due to ensure they are being actioned by managers on time. At the time of writing this statement, there were no essential recommendations overdue which had not been actioned.

The internal auditors' opinion for 2017/18 is that the Council's internal control environment and systems of internal control in the areas audited were adequate and effective.

Essential issues reported in 2017/18	Agreed action
<p><u>Operation of the new Glide parking app.</u></p> <p>Service needs to improve the billing of its new parking payment systems to ensure VAT is correct and Council receives parking income more promptly.</p>	<p>Service company to be billed and income to be received in full and accounted for in current year's set of accounts.</p>
<p><u>Homelessness Reduction Action 2017.</u></p> <p>A risk assessment has been produced in respect of the Homelessness Reduction Act 2017 and Housing Services are to make use of this risk assessment to direct resources to areas of highest risk. Consideration should be given to reporting the risk assessment to CMT/ Councillors.</p>	<p>Report to CMT and consideration be given to raising the risk assessment at the Scrutiny Committee</p>

<p><u>Creditors system.</u></p> <p>Staff should be raising purchase orders promptly before placing orders for goods and services. It was found that several POs were being placed after invoices had been received.</p>	<p>All staff to be reminded to ensure that a purchase order has to be raised on the Council's finance system prior to placing an order with a Supplier.</p>
<p><u>Leisure (greenspace) income generation.</u></p> <p>Review and improve income reported by Council leisure contractor. Not all golf income due to the Council had been identified as being recorded on contractor system, so there was a need to review income recording processes with contractor.</p>	<p>Golf income findings to be raised with contractor and agree action plan. Periodic meetings are to be held with contractor going forward to improve income.</p>
<p><u>Leisure (greenspace) income generation.</u></p> <p>Audit found that year on year income was down on 3 months in respect of golf and foot golf at Frimley Lodge.</p>	<p>Discuss findings with contractor and agree action plan to improve performance</p>

The Council's External Auditor KPMG provides assurance on the accuracy of the year end statement of Accounts and the overall adequacy of securing and improving value for money. The most recent Audit Letter, issued in December 2017, gave an unqualified opinion in respect of the financial statements and value for money.

Review of key outcome indicators

Internal Audit has undertaken a review to confirm that the arrangements described above have been in place throughout the year.

The key outcome indicators below have been used to assess the quality of governance arrangements in 2017/18:

Issues Identified	Performance for 2017/18
Formal reports by sec 151 or Monitoring officer	None issued
Outcomes from Standards Committee of Monitoring Officer investigations	No breaches of member or officer code of conduct have occurred
Proven Frauds carried out by members or officers	None identified in 2017/18
Objections received from local electors	None in 2017/18
Local Government Ombudsman referrals upheld exceed national average	Data to be completed however 2016/17 was below national average

Unsatisfactory/limited internal audit report	None apart from those identified above
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Follow up of issues identified in 2017/18

Last year's Annual Governance Statement highlighted three key areas for improvement. The table below sets out the action has been taken to address these issues in the current year:

Issues identified in 2017/18	Action Taken to Date
The purchase of the Town centre brings significant new risks and governance issues	The Council has appointed professional advisers to run and manage the centre and has put in place a governance structure consisting of the Chief Executive, the s151 Officer, the Leader and Deputy Leader to monitor performance. In addition there has been regular reporting to Members on performance to the Executive and the Scrutiny Committee.
Surrey Heath becoming lead authority for the Joint Waste partnership	The Council has put in place a team to manage the contract arrangements and this reports through a formal public joint waste committee which monitors performance.
Implementation of the General Data Protection Regulation	A Data Protection Officer has been appointed. All staff were required to complete mandatory formal training on the GDPR regulations.

Any issues identified for 2018/19

Apart from the audit issues above the Council has identified, the following issues are to be addressed during the coming year and any action planned accordingly.

Issues identified in 2018/19	Action Taken
Implementation of the General Data Protection Regulation	Work will continue to be undertaken to ensure that the Council complies with the GDPR in accordance with its Implementation Plan.
London Road Block Development	A team of professional advisers will be put place to ensure that the Council has the expertise to carry this project forward. Members will be consulted at various stages to ensure that they understand the opportunities and risks of the project.
Introduction of IAS 9	The implications of this new accounting standard on the Council's general fund, particularly in relation to investments, will be explored during the year.
New contract Arena Leisure centre	Professional advisers in place to ensure

	that the Council follows an OJEU compliant process and can make an informed judgement as to the options presented by tenderers.
Change of Auditor	The Council will work closely with its new auditor, BDO, to ensure that they are on board for the 2018/19 year end.

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issues identified in this report.

Karen Whelan
Chief Executive

Cllr Moira Gibson
Leader

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