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Tuesday, 7 July 2015

To: The Members of the **Audit and Standards Committee**
(Councillors: Valerie White (Chairman), Paul Ilnicki (Vice Chairman), Rodney Bates, Edward Hawkins, David Lewis, Jonathan Lytle and Bruce Mansell)

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

Substitutes: Councillors Dan Adams, Ruth Hutchinson, Katia Malcaus Cooper and Ian Sams

Dear Councillor,

A meeting of the **Audit and Standards Committee** will be held at Council Chamber, Surrey Heath House on **Wednesday, 15 July 2015 at 7.00 pm**. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Karen Whelan

Chief Executive

AGENDA

| | Pages |
|--|--------------|
| 1 Apologies for Absence | |
| 2 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. | |
| 3 Minutes | 1 - 4 |

As this is the inaugural meeting of the Audit and Standards Committee there are no minutes to sign for this committee. However, the minutes of the last meeting of the Standards Hearing and Determination Committee held on 16 June 2014 are attached to be confirmed and signed.

In addition, following the change in Committee arrangements when the Performance and Audit Scrutiny Committee was not re-established, but the Audit and Standards Committee was established, the 'audit' non-exempt minutes of the Performance and Audit Scrutiny Committee meeting held on 25 March 2015 are attached to confirm and sign at this new Committee.

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| 8 | Report on Internal Audit Recommendations as at June 2015 | 37 - 40 |

**Minutes of a Meeting of the Standards
Hearing and Determination Committee
held at Surrey Heath House,
Camberley on 16 June 2014**

+ Cllr Valerie White (Chairman)
+ Cllr Wynne Price (Vice Chairman)

+ Cllr Bruce Mansell
+ Cllr Ken Pedder

+ Cllr Pat Tedder

+ Present

Officers in attendance: Karen Limmer, Head of Legal Services and Monitoring Officer
Rachel Whillis, Democratic Services Officer

01/ST Minutes

The minutes of the meeting held on 24 June 2013 were confirmed and signed by the Chairman.

**Part I
(public)**

02/ST Annual Standards Report 2014

The Committee received the Annual Report of the Monitoring Officer for the 2013/14 municipal year. The Monitoring Officer reported that there had been few matters of concern that year. Three complaints against Members had been received but none had been formally investigated. One complaint had not related to the behaviour of the particular councillor; one had been a private matter; and the third clearly had not involved a breach of the Code.

The Committee was informed that most issues continued to relate to planning matters. The Deepcut Planning Application had been dealt with successfully in relation to standards matters and Members had been active in seeking advice and reporting any lobbying from members of the public.

It was reported that dispensations had been granted in relation to members of the Planning Applications Committee on one occasion.

The Committee was advised that Social Media continued to be an area to monitor, in particular because it was recognised that it was difficult to define what constituted inappropriate behaviour.

The Monitoring Officer emphasised that it was important not to over interpret the Code of Conduct. For example, she advised that in relation to Disclosable Pecuniary Interests (DPI) concerning sponsorship received, a DPI should only be declared where the matter under consideration related directly to the sponsor.

Resolved that the Annual Report be noted.

Chairman

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**Minutes of a Meeting of the
Performance and Audit Scrutiny
Committee - Audit Meeting held at
Surrey Heath House on 25 March 2015**

+ Cllr John May (Chairman)
+ Cllr David Allen (Vice Chairman)

| | |
|-------------------------|------------------------|
| + Cllr Tim Dodds | + Cllr Joanne Potter |
| + Cllr Alastair Graham | + Cllr Wynne Price |
| + Cllr Beverley Harding | + Cllr Audrey Roxburgh |
| + Cllr Edward Hawkins | + Cllr Pat Tedder |
| + Cllr Paul Innicki | + Cllr Alan Whittart |
| + Cllr Lexie Kemp | + Cllr John Winterton |
| + Cllr Chris Pitt | |

+ Present

- Apologies for absence presented

In Attendance: Andrew Crawford, Sarah Groom, Jessica Harris-Hooton, Julia Hutley-Savage and Kelvin Menon.

47/P Chairman's Announcements

The Chairman welcomed Members to the meeting. He reported that he would be standing down as a Councillor at the election and thanked Members and Officers for their support and efforts during his chairmanship.

In respect of the work programme, the Chairman noted the Committee should have considered, at this meeting, a report on Audit recommendations agreed by service heads, but not implemented. He reported that, as all recommendations to date had been actioned, it had not been considered necessary to submit a formal report to the Committee.

48/P Minutes

The minutes of the Audit meeting of the Committee, held on 28 January 2015, were agreed and signed by the Chairman.

49/P 2015/16 Regulation of Investigatory Powers Act 2000 – Annual Report on Authorisations

The Principal Solicitor reported on the purpose of the Regulation of Investigatory Powers Act 2000 (RIPA) and its application by the Council. She noted, in particular, that RIPA regulated the use of directed surveillance or the use of covert human intelligence sources and what steps were required to authorise officers under the Act.

In a recent inspection by the Office of Surveillance Commission, the Inspector stated that 'a very professional, efficient, knowledgeable and enthusiastic team of officers is extremely very well placed to run a RIPA compliant operation, should the Council decide to make use of the RIPA provisions'.

Members noted that powers under this act could only be used to further the duties and responsibilities of the Council and if the matter under consideration could be a criminal act which would carry a minimum sentence of 6 months in prison. It was confirmed that, during the municipal year 2014/15, there had been no authorisations, reviews or renewals under RIPA for the carrying out of direct surveillance.

The Committee suggested that consideration be given to a RIPA briefing being incorporated as part of Members' general induction training.

Noted, that there were no authorisations for directed surveillance granted during the 2014/15 municipal year.

Chairman

Annual Governance Statement

Summary

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 2014/2015 annual accounts and will be signed by the Leader of the Council and the Chief Executive.

Recommendation

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

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, Management Board, the Internal Audit team, the Council's risk process and the general control systems in place within the Council.

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.

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

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Annual Governance Statement 2014/15

Scope of Responsibility

Surrey Heath Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Surrey Heath Borough Council has developed, approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/ SOLACE Framework "Delivering Good Governance in Local Government". A copy of this code is on the Council's website at www.surreyheath.gov.uk or can be obtained from the Council Offices, Surrey Heath House, Knoll Road, Camberley, Surrey. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3) which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, cultures and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Surrey Heath Borough Council for the year ended 31st March 2015 and up to the date of approval of the Statement of Accounts.

The Governance Framework

There are a number of key elements and processes that comprise the Council's governance arrangements, which are set out below:

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The Council's key priorities and objectives are included in the Council's "2020 strategy" which covers the 10 years to 2020. This is the Corporate Plan.
- The Corporate Plan and Key Priorities feed into the Annual Plan which sets out the financial and performance objectives of each service. These are monitored on a six monthly basis and reviewed by the Performance and Audit Scrutiny Committee in a publically available document.
- The Council's Constitution, decision making structure and arrangements; schedule of meetings and associated agendas and minutes are publically available in accordance with regulations to encourage public attendance and involvement as appropriate.

Reviewing the authority's vision and its implications for the authority's governance arrangements

- The Corporate Plan is reviewed every three years to take account of progress against the key priorities. This review takes account of any implications for the Council's governance arrangements with appropriate amendments being made as necessary.

Translating the vision into objectives for the authority and its partnerships

- The Corporate Plan sets out clear objectives to deliver the council's key priorities and vision. All decisions made by the Council demonstrate how they support the Council's key objectives and priorities.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authorities objectives and for ensuring they represent the best use of resources and value for money

- Performance progress is tracked regularly through monitoring of key performance indicators, service tasks and projects. Progress against the Council's Annual Plan is reported on a six monthly basis to the Executive and the Performance and Audit Scrutiny Committee. The Council's Performance Management system (TEN) is maintained online and is available for review by members and officers.
- Regular financial reporting to Management Board and Members assists the monitoring of council expenditure against budgets which have been set to enable Corporate Plan objectives to be met.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions with clear delegation arrangements and protocols for effective communication

- Roles and responsibilities of the Executive, the Council, Overview and Scrutiny and all the committees of the Council, along with officer functions are defined and documented, with clear delegation arrangements and protocols for effective communication within the Council's Constitution.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's

website and intranet site. These include Members' Code of Conduct, Code of Conduct for Staff, Planning Code of Practice for Councillors and Officers, Anti-fraud and Corruption Policy, Member and Officer Protocols and regular performance appraisals.

- The Standards Hearing and Determination Committee promotes standards within the Council and receives reports from the Monitoring Officer. It also hears and determines complaints against Members arising out of alleged breaches of the Members Code of Conduct. It also considers dispensations in certain circumstances.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Constitution is regularly reviewed and updated by the Governance working group. The Constitution is available on the Council's website.
- The Council has established policies and procedures to govern its operations. Key within these are the Financial Regulations, Procurement Strategy and Contract Standing Orders, Risk Management Strategy, Codes of Conduct for Members and Officers, Anti-Fraud and Corruption Policy, Bribery Policy and Procedure, Whistleblowing Policy and Procedure and Human Resources policies. Ensuring compliance with these policies is the responsibility of everyone throughout the Council. These key controls are subject to periodic review, including that by Internal Audit, and are updated to ensure that they are relevant to the needs of the organisation. The Council's Financial Regulations have been reviewed and updated in 14/15, and a revised set of regulations are due to be published.
- Contract Standing Orders set out the rules governing the procurement process to ensure that value for money is achieved whilst meeting all legal and statutory requirements and minimising the risk of fraud or corruption. The Council's Procurement Strategy is a high level view of how to promote effective procurement across the whole organisation.
- A risk management framework has been in place across the Council for some years with the objective of embedding effective risk management practices at both strategic and operational levels. The Corporate Risk Management Register is reviewed on an annual basis and approved by the Performance and Audit Committee. A risk section is included in all Executive reports to ensure that it has been properly considered.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

- A risk workshop was held with the Council's Management Team last year to assist in identifying Corporate Risks. The risk group meets to update the corporate risk register and to ensure that identified risks have mitigation processes in place and clear lines of responsibility.

Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained

- The Council has in place an Anti-fraud and Corruption Policy and this has been communicated to all staff. It also forms part of the induction process for new staff.

The Council has a Corporate Fraud team responsible for investigating Benefit fraud, corporate fraud and Members' Code breaches. The team embed the anti-fraud culture by training generally and through their involvement in the induction of staff. Members of the team are fully trained to Police and Criminal Evidence Act standard.

Ensuring effective management of change and transformation

- All change and transformation is approved and monitored by the Council's Transformation Board consisting of 3 Executive Members and the Council's Management Board. At the start of the process, managers are required to prepare a report setting out the reasons for the transformation, the benefits it will bring, resource implications and any risks for the board to consider. Once complete a final report has to be submitted to the board stating what the outcomes of the transformation were.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

- The Council's financial management arrangements conform to CIPFA standards. The Executive Head of Finance (Section 151 Officer) has statutory responsibility for the proper management of the Council's finances and is a member of the Council's Management Board. The management of the Council's finances within departments is devolved to Executive Heads of Service through the Scheme of Delegation. Service managers further devolve decision making to managers and business unit managers.
- The Finance Team and internal audit provide detailed finance protocols, procedures, guidance and training for managers and staff. The structure of the Finance Team ensures segregation of duties and all committee reports are reviewed by the service.

Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA statement on the Role of the Head of Internal Audit

- The internal audit function is an independent appraisal process, the manager of which has direct access to the Chief Executive, members through the Performance and Audit Scrutiny Committee and External Audit. It undertakes reviews which provide management with a level of assurance on the adequacy of internal controls and of risks to the Council's functions / systems. Throughout the year, the internal auditors have performed a wide range of reviews covering both financial areas as well as service/business functions. The conclusion is a report that is produced for management, which includes an assessment of the level of assurance that can be derived from the system of internal controls related to the service that is reviewed. A new set of public sector wide internal audit standards for the UK and Ireland have also recently been published, based on a series of mandatory elements of the IIA's International Professional Practices Framework. The Council's internal audit team have been working to these standards since their adoption.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

- The Council has appointed its Head of Legal Services as Monitoring Officer. The Monitoring Officer is a member of the Council's Management Board and the Governance working group. The Monitoring Officer can also call upon the resources of the Council's legal team, internal audit and Investigations teams as required.
- The Monitoring Officer is responsible for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer may report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. No reports have been necessary in recent years.

Ensure effective arrangements are in place for the discharge of the Head of Paid Service function

- The Council has designated the Chief Executive as Head of Paid Service

Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

- The role of the Performance and Audit Committee is set out in the Constitution and one of its key roles is to provide independent assurance of the adequacy of the risk management framework and the associated control environment. It is a committee comprising 15 Members, independent of the Executive. It oversees the internal audit function and considers all relevant reports of the external auditor. It has the power to refer matters of concern to the Executive or other committees and to require a response
- The terms of reference for the Performance and Audit Committee are reviewed annually.

Arrangements exist to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

- The Monitoring Officer has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by Members are supported by a legal assessment provided by the appropriate officer.
- The Council has in place a Responsible Finance Officer under Section 151 of the Local Government Act 1972. This role ensures lawfulness and financial prudence of decision making, has responsibility for the administration of the financial affairs of the council and provides advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

Whistle-blowing and receiving and investigating complaints from the public

- The Council has in place a Whistleblowing Policy and Procedure whereby staff and others can report concerns about various sorts of wrongdoing or alleged impropriety. The Policy is available on the website and is also proactively communicated to those contracting with the council. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.
- Surrey Heath Borough Council wants to provide the best service it can to the community and has a Customer Feedback process in place, which includes complaints, compliments, service requests, member contact and comments. All complaints are thoroughly investigated in line with the Council's complaints procedure. A complaints report is provided annually to the Performance and Audit committee.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- The Council is committed to developing the skills of both Members and officers in order to enable a continuous improvement in the services provided. The Council continues to hold the Investor's in People Silver standard which has been awarded.

- Officers are covered by the appraisal development scheme which is the mechanism used to help ensure that performance and development needs are reviewed on an annual basis.
- There is a full induction process for Members and specific officers have been designated with training responsibilities for Members. Members have training provided to reflect their specific statutory responsibilities as appropriate.

Clear channels of communication with all sections of the community and other stakeholders are in place, ensuring accountability and encouraging open consultation

- The Council ensures that there is community input in its decision making processes. This is done by focus groups, workshops, questionnaires, and business breakfasts and members interaction with the community. During the year 2 community consultation events were held in different parts of the borough. Recently greater use has been made social media.
- The Council has a well-established and effective consultation function which includes a wide range of consultation methods to ensure that as many groups and individuals as possible are able to participate. Before undertaking any consultation or communication, action plans are completed by the Corporate Communications Officers to detail exactly how key groups will be targeted. The Council delivers an extensive programme of consultations throughout the year.
- The Council also regularly communicates and consults with residents online via the council website through social media such as Twitter and Facebook, through local press, through blogs, through local forums and organisations and also through the Council own magazine "Heathscene" which is published 3 times a year.

Incorporating good governance arrangements in respect of partnerships and other group working

- Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The Council's Monitoring Officer ensures that all are fit for purpose and the Council's interests are protected.

Internal Audit Statement

In the financial year 2014/15 Internal Audit carried out a number of internal audit reviews based on the Annual Plan agreed by the Performance and Audit Committee in January 2014. 23 audits have been completed, 18 from the Plan and 5 unscheduled pieces of work.

The majority of internal audits result in an action plan being agreed with management to address areas of weakness and improve overall controls. These action plans include a number of recommendations for management. In 2014/15 79 recommendations have been agreed with management. As at the end of March 2015, all medium and high level recommendations were fully implemented where they fell due. The outcomes of these internal audit reviews are reported to Management Board. Overdue recommendations are also reported twice yearly to Management Board and to Performance and Audit Scrutiny Committee by way of an escalation process.

The Council has very high levels of assurance in respect of all of its main financial systems and the majority of its governance arrangements. All of the main financial systems completed in 14/15, which feed into the production of the Council's Financial Statements, have achieved a

substantial assurance level following the audit review. The Council can therefore be assured in these areas.

A number of internal audits and investigations however resulted in limited assurance in 2014/15, including:

- Human Resources
- Parks Income
- Camberley Theatre
- Community Services
- Travellers Sites/Gypsies
- Windle Valley Centre

Senior Information Risk Owner (SIRO) Statement

The Local Government Data Handling Guidelines requires that all Local Authorities have a board member who acts as a SIRO. Within Surrey Heath, the Executive Head of Finance acts as SIRO with the assistance of the Information Governance Manager.

During 2014-15, the Data Security Breach Management Policy and Procedure was approved. It now forms part of the Terms and Conditions for staff. A Lead Investigation Officer is appointed, if necessary, to investigate any breaches. A log is kept of all data breaches. 12 minor internal breaches were recorded and dealt with. There were no data breaches during the year that required reporting to the Information Commissioner's Office.

To ensure all staff understand their responsibility for Data Protection, an Information Governance e-learning package has been produced. It is mandatory for all staff.

The Council achieved certification for the Public Sector Network (PSN) on 26 January 2015. All end-points connecting to the Surrey Heath Public Sector Network are now managed in line with PSN Code of Connection requirements All staff are recruited in line with HMG Baseline Personnel Security Standard as part of Public Sector Network certification. A new recruitment policy, which includes this procedure, is now in place.

The Information Security Policy was updated to reflect changes in legislation and practices to ensure adequate protection of Council held information.

The Information Commissioner's Office has recommended that Privacy Impact Assessments (PIA), where personal data is involved, are carried out for all new projects and policies. A template has been produced to assist in the production of PIA's. One was carried out in 2014 for the use of Automatic Number Plate Recognition in car parks.

The Information Governance Manager attended two courses, one on Privacy Impact Assessments and an update on CCTV.

Based on the controls in place and the work undertaken during the year the SIRO is of the opinion that the Council's controls for the security and use of information assets was adequate for the year.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness is informed by the work of senior officers within the authority who have responsibility for the development and maintenance of the governance environment, the head of

internal audit's annual report, and also by comments made by the external auditors and other review agencies.

For 2014/15, this review has been undertaken by the Head of Legal Services, together with the Executive Head of Finance and Internal Audit. The group has reviewed how the Council has operated in accordance with the Governance Framework and considered its effectiveness.

Improvements during the Year

During the year a number of issues arose which relate to the operation of the Governance Framework. These issues have been reviewed as follows:

Risk Management Strategy and Process

The Council continued to work with its insurers on identifying Corporate Risks. These were then reflected in the corporate risk register if appropriate.

Data Protection

Surrey Heath Borough Council must ensure all personal information is processed in accordance with the Data Protection Act 1998. The Information Security policy explains how members and officers are expected to comply with the Act. The Council must comply with this policy to ensure the Data Protection Act is not breached. Any breach of the Act has serious consequences for the organisation and its customers.

Constitution

The Council has agreed a number of changes to the Scheme of Delegation and to the committee structure which will take effect in the new municipal year. These will lead to more efficient decision-making.

Emergency Planning

Members of staff continued to receive training related to the operation of the Borough Emergency Centre.

HR Policies

HR Policies relating to the Pay Settlement Procedure, Drugs and Alcohol, House Rules, Flexible Working, Offsite Working, Family Friendly Policies, Recruitment and Social Media were all reviewed and approved during the year.

New Financial System

A new financial system was implemented on the 1st April 2014. The new computer system removes a number of existing paper controls in areas such as purchasing and instead relies on in built electronic authorisations. The new system has controls in place to prevent ordering where there is no budget or authorisation in place.

Governance Issues Reported Last Year

A number of issues were identified in the 2013/14 financial year and the following action has been taken:

Parking: significant investment has been made by the Council in modernising its parking equipment and machinery over the last 18 months, making the parking system more reliable, stable and efficient. The Council is rolling out e-wallets, as well as the ability for customers to pay for parking by phone and by debit/credit card.

Performance Management: the new Annual Plan now links KPIs to key priorities. Performance data is scrutinised before publication, and changes have been made to the way the Council's performance is managed and reported.

Corporate Asset Management: condition surveys are being undertaken and surveys where necessary. The assets team is working more closely with colleagues in planning, and business to improve leisure leases.

Disabled Facilities Grants: subject to a detailed internal audit in 2015, and a number of minor improvements made to the system to make it more effective.

Camberley Theatre café/venue: the café's trading has been analysed on a monthly basis and the cafes performance in 14/15 has been discussed in detail at Management Board. A number of areas were asked to be considered. A number of changes have since been made including streamlining the hours of operation, reducing operating costs by cutting staffing levels, whilst focusing on pre-show dining, hospitality and room hires.

Financial and non-financial interests: Senior officers and members have been asked to declare any interests they have. They are also required to state that they have no interests if this is the case.

Significant Governance Issues

The overall opinion of the Monitoring Officer and the Section 151 Officer is that the Council's governance arrangements are adequate and effective. There are no significant governance issues but a number of other issues have been identified and will be addressed through the planned work of the Council.

The areas below have arisen from various assessments into the Council's governance arrangements for 2014/15, many actions have already been addressed, and residual issues will be addressed in the forthcoming year.

Corporate Processes

Issues arising out of internal audit reviews and action taken to date:

Human Resources – travel and expenses claims. Revisions to the computer system have been made, as well as new guidance being issued. Spot checks of claims will also be undertaken.

Parks Income – a number of recommendations were made with the café contractor to improve controls and cash security. The Council is currently working with the new staff in place at the café to action all these areas.

Camberley Theatre – a number of improvements to cash security, and building security were made, and the majority of recommendations have since been actioned, including staff changes.

Community Services – issues concentrated on stream lining income and payment processes, and since the audit report the Council is working in partnership with Runnymede Borough Council to deliver efficiencies.

Travellers Sites /Gypsies – a range of changes were agreed with management to improve rent controls and deposits as well as financial reporting, the majority of these have been actioned.

Windle Valley – efforts have been made to improve cash controls, finance reporting, banking, and the way the voluntary fund is managed, and all recommendations to date have been actioned.

Major Projects

The Council continues to be involved in a number of projects and initiatives that are complex in nature, carry the risk of a great financial loss, are of a high value or dependent upon working with partners to achieve. These will continue to be monitored closely over the coming year.

Assurance Summary

Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people’s needs. It is fundamental to showing that public money is well spent. Without good governance, councils will struggle to improve services.

From the review, assessment and monitoring work undertaken and supported by the ongoing work undertaken by Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that there are no fundamental control weaknesses.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Karen Whelan
Chief Executive.....

Councillor Moira Gibson
Leader of Surrey Heath Borough Council.....

Annual Standards Report 2015

Summary

This is the Annual Report of the Monitoring Officer as required by the terms of reference of the Audit and Standards Committee.

Portfolio

Date Portfolio Holder signed off report

Chairman of Standards Hearing and Determination Committee

Wards Affected

All

Recommendation

The Audit and Standards Committee is advised to resolve to note the contents of this Annual Report.

1. Resource Implications

1.1 There are no resource implications at present.

2. Key Issues

- 2.1 In accordance with the Localism Act 2011, the Council adopted a Code of Conduct, appointed an Independent Person and put in place local arrangements for dealing with issues of conduct and requests for dispensations. The Register of Interests is also available for inspection on the Council's website.
- 2.2 Questions of predetermination and declarations of interest seem to arise most frequently in relation to planning matters. Members must reveal any disclosable pecuniary interest as well as any non-pecuniary interests at any meetings. Members need to be reminded that that when they do this, they must give sufficient detail for the public to understand the nature of the interest.
- 2.3 Most issues continue to relate to planning matters, and members have sought advice in advance on the committee so that they can receive timely advice. Members are also reminded about the provisions relating to acceptance of Gifts and Hospitality and the obligation to register them, which they are able to do themselves.
- 2.4 No Dispensations have been granted in the last year.
- 2.5 One complaint against a member was received last year but it was not formally investigated, as it was rejected on the grounds of being 'vexatious, frivolous or malicious or in some other way an abuse of process'. This was decided in accordance with the Council's Arrangements for Dealing with Allegations of Misconduct. This is no right of appeal against this decision.

2.6 Since the Elections, training has been held for all members of the Council on decision-making and standards issues. Training has also been carried out for the Parish Councils, particularly in relation to planning matters. Members have been completing their Registers of Interests since the Elections.

3. Options

3.1 Members may wish to propose further training on standards issues.

4. Supporting Information

4.1 All the key documents are set out in the Council's Constitution, including the Code of Conduct, the Member/Officer Protocol and the Planning Code of Practice for Councillors and Officers, together with the Monitoring officer Protocol.

4.2 The Council's website has the Registers of Interest available for inspection. A complaints form is also available for members of the public to use.

5. Corporate Objectives And Key Priorities

5.1 These are statutory requirements.

6. Legal Issues

6.1 These are set out above.

7. Governance Issues

7.1 These are set out above.

| | |
|-------------------------------|--|
| Annexes | |
| Background Papers | |
| Author/Contact Details | Karen Limmer Head of Legal Services Karen.limmer@surreyheath.gov.uk |
| Head of Service | |

Consultations, Implications and Issues Addressed

| Resources | Required | Consulted |
|---------------------------------------|-----------------|------------------|
| Revenue | ✓ | |
| Capital | | |
| Human Resources | | |
| Asset Management | | |
| IT | | |
| Other Issues | Required | Consulted |
| Corporate Objectives & Key Priorities | ✓ | |
| Policy Framework | | |
| Legal | ✓ | |
| Governance | ✓ | |
| Sustainability | | |
| Risk Management | | |
| Equalities Impact Assessment | | |
| Community Safety | | |
| Human Rights | | |

| Resources | Required | Consulted |
|------------------|-----------------|------------------|
| Consultation | | |
| P R & Marketing | | |

Review Date:

Version:

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Internal Audit Annual Report

| | |
|----------------------|---------|
| Portfolio | Finance |
| Ward(s) Affected: | n/a |

Purpose

This report summarises the work undertaken by Internal Audit for the financial year 14/15 and provides the opinion of the Executive Head Finance on the adequacy of the Council's systems of internal control.

Background

1. In order to comply with the Public Sector Internal Audit Standards which superseded the Code of Practice 2006, the officer responsible for internal audit, in this case the Executive Head Finance, is required to provide a written report to those charged with governance. The report should:
 - provide an opinion on the overall adequacy and effectiveness of the Council's control environment and risk landscape;
 - disclose any qualifications to that opinion, with reasons;
 - present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies; and highlight any significant matters for reporting.

Summary of Internal Audit Work for the financial year 2014-15

2. The work programme of Internal Audit is dictated by both the Audit Strategy and the Annual Audit Plan. The Annual Audit Plan consists of a summary of work scheduled for the financial year as agreed by the Performance and Audit Scrutiny Committee.
3. In 14/15, a total of 24 audits were carried out, 19 from the Annual Plan and 5 ad hoc/unscheduled pieces of work. The majority of these resulted in audit reports being issued to management, although in some cases the main findings were fed back to management through risk assessments or separate meetings.
4. Upon the conclusion of an audit, Management is normally provided with one of four levels of assurance:

| Level of assurance | Definition |
|---------------------------|---|
| FULL(green) | Controls are strong and being fully complied with, service is continually developing and offering added value, business objectives are being met and exceeded |
| SUBSTANTIAL(green) | There is basically a sound system of control, but there are areas of weakness, which may put some of the systems objectives at risk |
| LIMITED (amber) | The weaknesses in the system of control are such as to put some of the system objectives at risk, and may affect council income or expenditure |
| NIL (red) | There are limited or no controls in place. The service poses a significant risk to the Council and there is a risk that business objectives are not met |

5. To date, the following levels of assurance have been provided where final reports have been issued and agreed with senior management:

- 0 - Full assurance
- 9 - Substantial assurance
- 6 - Limited assurance
- 0 - Nil assurance

6. For the financial year a total of 81 recommendations were made of which 38 were classified as essential/high and 35 desirable/medium priority. We are pleased to note that the vast majority of the essential recommendations have been implemented. Overdue high risk recommendations are reported twice yearly to MB and this Committee. Audit recommendations are classified as follows:-

Essential (high) – normally require immediate attention to address substantial weaknesses and ensure council business objectives are met; could result in financial loss; non-compliance with statutory guidance/legislation

Desirable (medium) - contribute to maintaining an effective control environment and ensure policies and procedures are met; help to ensure council priorities and milestones are met; short term implementation

Best Practice (low) – industry best practice suggestions; help to improve overall control and efficiency; assist management deliver services; medium to long term implementation

Overall Opinion of the Executive Head Finance

7. The overall opinion of the Executive Head Finance is that the Council's internal control framework is adequate and effective and is being managed with due care and attention. This is based on the work undertaken by Internal Audit during the course of the previous year, as well as the opinions provided in the past by the Council's external auditors and other assurance providers and regulators and the assurances they place on the work of Internal Audit.
8. A summary of the work undertaken in 14/15 follows.

Compliance with the Public Sector Internal Audit Standards

9. CIPFA's Code of Practice has been replaced by the Public Sector Internal Audit Standards from April 2013. A health check against the new Standards was carried out in 2013, which produced an action plan for improvement. Most of these have since been actioned. The team will continue to work on developing other areas of improvement such as customer feedback and developing a quality assurance process.

Resource implications

10. There are no resource implications arising from this report

Recommendations

11. The Audit and Standards Committee is asked to note and comment on the 2014/15 Audit Annual Report.

Background: None

Contact and Head of Service:

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Alex Middleton 01276 707303
Email: alex.middleton@surreyheath.gov.uk

INTERNAL AUDIT WORK

1. Detail of the work programme completed by Internal Audit is set out below:
 - Key finance systems
 - Other scheduled high and medium risk audits
 - Unplanned audit activity
 - Staffing and resources

KEY FINANCE SYSTEMS

2. A number of key audits are carried out annually on behalf of the Council's external auditors. A protocol has been agreed with KPMG which highlights those key areas where the external auditors seek to rely on the controls operated by the Council over its financial systems. Where the work carried out by Internal Audit can be relied on by KPMG this will avoid duplication of work and increased costs to the Council. In completing the work program for the year both KPMG and Internal Audit will have regard to both the adequacy of the Council's financial systems and the adequacy of the arrangements for preventing and detecting fraud and corruption.
3. Overall the work of Internal Audit was completed in line with the requirements of the external auditors and the agreed protocol. The following table summarises the key financial audits that were performed in 14/15:

Table 1
Key Financial Systems work conducted in 14/15

| Audit | Summary of areas covered | Outcome |
|----------------------------------|--|---|
| Debtors and Income | Reconciliations of the debtors system to the Ledger and the cash receipting system; debt recovery; writing off bad debts; accurate raising of debtor invoices; migration of debts to new Civica finance system | Report highlighting a couple of issues for improvement relating to signing off credit notes, using note pad, and managing debt recovery. All in progress or actioned. |
| Creditors and Expenditure | Sample testing invoices processed and paid on new Civica system; budgetary control; access control and separation of duties; access to the Finance system; changes to bank account details; use of Civica | Suggested improvements to the processing of Purchase Orders, and checking the receipt of goods and evidencing on the finance system using GRNs. |

| | | |
|---|--|---|
| | exception reports | |
| Main Accounting | Access to the Finance system; controls over suspense accounts; review of exception reports; journal testing; bank reconciliations | An action plan to make improvements to the way journals are managed and checked, and the process of bank reconciliations as a result of the introduction of the new Civica system. Actioned since. |
| Treasury Management | Monthly bank reconciliations to treasury records; cash flow; short term investments with counterparties ensuring compliance with Council policy and treasury management strategy; effective operation of bank accounts and bank mandates; access control to Bankline (on line banking system); examining investment performance and return on investments placed | Treasury investments are being placed accurately and in compliance with Council policy and procedures, but improvements over monthly treasury reconciliation processes back to ledger and bank records could be strengthened. |
| Cash & Bank | Cash collection processes, cash reconciliations, cash receipting system, cash handling and banking processes, bank reconciliations, system access controls, bank mandates | A recommendation was raised regarding the use and access control of the Kiosk self-serve payment system used by the Council. Since actioned. |
| Collection of Local Taxes (NNDR and Council Tax) | Various reconciliations were checked including Valuation Office records to the Council Revenues system, cash receipting records to the Revenues system; refund processing and approval, discounts and exemptions | Audit findings to be raised with management and report to be issued. |
| Payroll | Testing on various payroll functions and records including- exception reports; starters and leavers; access to the payroll system; periodic reconciliation of the payroll to the Ledger | No issues reported |
| Housing Benefits | Checking new assessments and change of circumstances cases; accuracy management checks; various reconciliations | Audit in progress. No issues found to date |

| | | |
|---------------------------|--|--------------------------------------|
| | of the Benefits system to the Ledger, and Revenues system | |
| Capital Accounting | Checking that valuations have been done on council assets; impairment review; verifying existence of fixed assets. | No fundamental issues were reported. |

SCHEDULED HIGH AND MEDIUM RISK AUDITS

Waste and Recycling - Substantial Assurance

The audit covered the following areas: appointed contractors, income checking from recycling credits and private sales of recycle, expenditure and spend against Contract 590, assisted collections, garden waste scheme. Contractor performance.

An action plan was agreed with management to address authorisation of contract invoices, incorporating garden waste into any future waste contract plans, waiver administration and better documentation of meetings.

Disabled Facility Grants – Substantial Assurance

The audit focused on ensuring that DFG grants are being paid correctly, for clients in genuine need, and using suitably appointed contractor to undertake the works. The review also looked at the Private Sector Housing Renewal policy.

We discussed areas where management could improve financial controls and governance arrangements, including the use of checklists for grant works, the methodology of short listing contractors, obtaining the appropriate number and type of quotes for works, and carrying out announced and unannounced visits to check on grant work progress.

Travellers Sites – Limited Assurance

The audit reviewed the main elements of travellers' sites including the current management arrangements in place under the agency agreement, plot and licence fee record management, deposits, as well as debt recovery for unpaid fees and utility bills.

Management agreed to raise the agency agreement issues with SCC, tighten up on utility records, and ensure all debt recovery action is taken to address unpaid fees. All of these points have either already been implemented or are currently being worked upon.

Safeguarding Children – no internal report

The audit focused upon reviewing the recently adopted Safeguarding Policy and Procedure and undertaking a comprehensive follow up of the Section 11

audit of the Children's Act 2004, with a self-assessment. We worked closely with representatives from County to ensure that the Council has in place all the necessary arrangements so that children are safeguarded and their welfare is promoted. As a result of the self-assessment the Council scored 'green' in most categories that were being assessed.

HR – Limited Assurance

Mileage claims, travel and expenses claims, HR policies, record keeping, Induction processes, and the selection and delivery of corporate training were examined in detail this time. An action plan was put together with senior management focusing on improving mileage claims and associated procedures- all of which has now been addressed by the HR team.

Community Services – Limited Assurance

The audit considered the following areas: cash handling arrangements for the Council's Dial a Ride and Meals At Home services, cash collection and banking arrangements, but also payment system, invoicing, and staffing.

A number of recommendations were made to put additional safeguards in place and we are pleased to note that many of these have already been actioned. The service have also since undergone a re structure and a management agreement has been set up with Runnymede to deliver a better service in partnership from September 2015.

Business Continuity – no internal report

Until 2014, there was little in terms of business continuity arrangements. In 14/15 a number of Business Continuity Champions have been appointed across the organisation including a representative from internal audit. As part of this work stream we have produced the Business Impact Analysis for all of finance – accountancy, revenues & benefits, audit and investigations. We have also drafted the service's Business Continuity Plan which is the document that must be followed in the event of an emergency or disaster, and have participated in a dry run. Our BCP identifies the service recovery team, critical activities, backups, invoking the plan, and the BECC.

Equality and Diversity – no internal report

Internal audit has participated in all the equality and diversity officer working group meetings in 14/15. The group has reviewed a number of policies including the disciplinary policy, smoking policy, grievance policy, family friendly policy, recruitment and anti-social media policies. The group has also successfully been awarded with the 2 ticks disability accreditation.

Camberley Theatre – report for MB only

A new café bar venue opened at the theatre in September 13 which is operated ContractiN a catering contractor. Throughout the 14/15 year, we reviewed the ongoing service delivery of the café bar and associated revenue and costs to the Council. We have assisted with a number of stock takes, reviewed the trading accounts and have commented on the performance against budget of the contractor to MB. A number of issues have been raised with the contractor during the year which have been addressed.

Information Governance – on going

A number of key issues were considered including data protection, document retention and disposal, as well as information security. The audit is in progress.

Grounds Maintenance – on going

The grounds maintenance audit examined the management of the contract with the contractor Glendale and associated performance. The audit has been completed and a report is due to be issued. The processes surrounding variation orders and site inspections are areas which may require improvement.

UNPLANNED AUDIT ACTIVITY

4. The following additional pieces of work were undertaken that were not scheduled in the Annual Plan for 2014/15:

Provided Cars – on going

A review was carried out of the former provided car scheme and the new lease vehicle process that has replaced it. Under the old scheme cars were purchased outright and require selling privately or through auction at the end of their 4 year term. Under the new scheme, vehicles are leased for 3 years and are not owned by the Council. A number of suggestions were made to management to improve current arrangements and these have been taken under advisement.

Events and Business cases –

A variety of Council events have been organised throughout the year, to promote the Council and enhance the local community. Internal audit has played an active role in reviewing the planning and management of these events, including the critical review and analysis of the various business cases that have been put together in support of these events.

Events and ad hoc works that have been reviewed recently include: Surrey Heath Show, Frimley Lodge Live, theatre café bar, new cinema projector capital spend, 3G sports facilities, and the upcoming Christmas Fayre and ice rink offering.

Windle Valley Centre – Limited Assurance

The audit concentrated on financial controls in place at Windle Valley, particularly controls over cash collection, banking, the operation of the tills and safe.

A number of safeguards have since been put in place to minimise the on going risks and audit will be re visiting these changes shortly to check they have been fully implemented.

Parks Income, Frimley Lodge – Limited Assurance

The lease and operation of the café located within Frimley Lodge park was examined in detail. It is currently under franchise to a private café operator. In accordance with the lease, which is up for renewal January 2016, the operator keeps all the revenue generated from café sales, and the Council gets all the income from the golf pitch and putt sales.

A number of concerns have been identified with these arrangements which has resulted in a detailed action plan being agreed between the Council and the operator, a lot of the issues have since been implemented.

Separate theatre review - limited assurance

At the request of senior management we carried out a separate review into the controls and governance arrangements at the theatre. The review identified a number of concerns since which a detailed action plan has been produced and agreed with theatre management. The majority of these actions have already been implemented.

STAFFING AND RESOURCES

5. A total of 522 days were required to deliver the 14/15 Annual Plan and to adequately resource the team. The following resources were available:
 - 1x Senior Auditor (lead internal auditor for the Council)
 - 1x Auditor (started May 2014)
 - 1x agency assistant (April to June 2014)

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Annual Review of the Effectiveness of the System of Internal Audit

| | |
|-------------------|---------|
| Portfolio | Finance |
| Ward(s) Affected: | n/a |

Purpose

This report provides an annual review of the effectiveness of the system of internal audit for 2014-15 as required by the Accounts and Audit Regulations 2006, amended 2011.

Background

1. The Accounts and Audit Regulations require the Council annually to conduct a review of the effectiveness of its system of internal audit.

Resource Implications

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

Risk Assessment

3. Failure to operate an effective internal audit service could reduce the level of assurance provided to senior management and Members regarding risk management processes, control systems, accounting records and governance arrangements.

Recommendations

4. The Audit and Standards Committee is asked to note and approve the report on the Review of the Effectiveness of Internal Audit.

Background Papers: None

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e-mail : alex.middleton@surreyheath.gov.uk

Head of Service: Kelvin Menon

1. INTRODUCTION

- 1.1 The annual review of the effectiveness of the system of internal audit is required under the Accounts and Audit Regulations 2011. The review has been conducted by the Senior Internal Auditor who is a member of the Chartered Institute of Internal Auditors (CIIA).
- 1.2 The following review has been based upon the following :
- Operation of the Performance and Audit Scrutiny Committee (audit now reports to the Audit & Standards committee)
 - Compliance with the Public Sector Internal Audit Standards
 - External audit assessment of Internal Audit's work
 - Progress made against Internal Audit's work plan for 2014/15 (the annual Audit Plan)
 - Other achievements by Internal Audit in 2014/15.
- 1.3 Potential challenges for internal audit for 2015/16 are set out in section four of this paper.

2. RESULTS OF ANNUAL REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

Operation of the Performance and Audit Scrutiny Committee

- 2.1 In 2014/15 the P&A Committee played an active role in monitoring and scrutinising the role and function of the internal audit team. The Committee has also received reports from and directed questions to the external auditors, KPMG. The P&A committee review and approve the annual Audit Plan at the start of the year.

Compliance with the Public Sector Internal Audit Standards

- 2.2 All local authorities are subject to the Accounts and Audit Regulations 2011 and must make provision for an internal audit function in accordance with a common set of audit standards, known as the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors and supersede the 2006 CIPFA Code of Practice for Internal Audit in Local Government in the UK.
- 2.3 To provide optimum benefit to the Council, internal audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. This partnership must operate in such a way as to ensure that legal requirements and those of the PSIAS are met.
- 2.4 Internal Audit assessed conformance with the PSIAS in 2013 and carried out a comprehensive self assessment. The results of the self-assessment exercise were reported to the Section 151 Officer.

- 2.5 Overall the self-assessment was very positive and demonstrated that internal audit is generally compliant with the Standards and Code within the PSIAS. Some areas for improvement were identified and an action plan has been developed and the team are working with management to address these improvements. For example developing clear reporting lines, assessing customer feedback, and developing a quality assurance framework are areas that can be developed. These areas have been developed in 2014, and work is underway to ensure these areas are fully embedded into the audit work programme in 15/16.

Confirmation of the organisational independence of the Internal Audit Service

- 2.6 The PSIAS require confirmation of the organisational independence of Internal Audit. This review confirms that Internal Audit is sufficiently senior and independent within the Council's structure to allow constructive challenge to the Management team. This is evidenced by the following:

- Approval of the internal audit charter by the P&A Committee
- Approval of the risk based audit plan by the P&A Committee
- Senior Auditor has reported regularly to Management Board (MB) and P&A Committee on risk issues, and internal audit reports
- The senior auditor is able to address any concerns directly with the Chief Executive or with the External auditor KPMG.

Performance against the Annual Audit Plan and Achievements of Internal Audit Service in 2014/15

- 2.7 Detail of the achievements of the Internal Audit Service in 2014-15 is set out in the Internal Audit Annual Report which is subject to a separate report.

External audit assessment of Internal Audit's work

- 2.8 Every year internal audit carried out a number of finance based audits after consultation with the Council's external auditors. Their formal assessment of internal audit's work is normally reported as part of the ISA260 report to Members in Quarter 2 each year.

Combined Assurance

- 2.9 Internal Audit is one of the main providers of assurance to Members and the management team. It provides managers with information about the risks and opportunities as well as governance arrangements that have been identified throughout the year.

2.10 In addition the team has worked with other assurance providers such as external audit, and other government departments to ensure work is not duplicated or internal resources are not wasted by unnecessary duplication. This is known as providing a combined level of assurance.

3. IMPROVEMENTS TO THE SYSTEM OF INTERNAL AUDIT 2014-15

3.1 The 2013/14 effectiveness annual review set out a number of recommendations that required addressing in the year.

3.2 Table 1 below sets out how these recommendations have been addressed.

Table 1

Improvements to system of internal audit implemented in 2014/15

| Area for Improvement as identified in the 2013/14 review | Improvements implemented in 2014/15 |
|---|---|
| <p>The local government landscape is changing at a rapid rate. The internal audit team recognises this and the importance of adopting a flexible and pragmatic approach to service delivery. In particular the team will need to focus on change and provide a greater challenge and scrutiny function. The team also recognises that unscheduled work is likely to appear during the year, and the team will need to be able to react to this.</p> | <p>The team has continued to play an active role in undertaking ad hoc audit reviews in 14/15. Amongst these were a separate Camberley theatre review, a parks income review, and a Windle Valley community services review. The team has also played a leading role developing the Finance division's business continuity arrangements.</p> |
| <p>Internal Audit must continue to develop if it is to continue to offer a challenging and objective service. The team will need to focus on understanding the whole organisation and its objectives; be seen as a catalyst for improvement; add value and assist the Council in achieving its objectives; and be forward looking.</p> | <p>Internal Audit has contributed to several areas to assist the business objectives of the Council. Internal Audit has provided the Champion for the business continuity work stream, the team has participated in the equality and diversity officer working group promoting and developing the Council's equalities arrangements in the work place, and audit has also begun to look into Council initiatives such as the Christmas fayre and ice rink offering.</p> |
| <p>The Council is currently involved with several important projects dealing with contractors and third</p> | <p>Several projects have been reviewed by internal audit in 2014/15 including the Surrey Heath Show in May 2014</p> |

| | |
|---|--|
| <p>parties. Internal Audit should get involved with helping management to provide an overview and scrutiny of these projects.</p> | <p>& 15, Frimley Lodge Live, the theatre café trading, and the capital expenditure on a new cinema projector at the theatre.</p> |
|---|--|

4. CHALLENGES FOR 2014/15

- 4.1 The following challenges for Internal Audit have been identified for the forthcoming financial year:

New Financial Regulations

- 4.2 A new and improved set of Financial Regulations have been developed and are due to be adopted following review by the Governance Working Group. Internal Audit will play an important part by reviewing the roll out and introduction of these new arrangements, and by checking all new and existing officers have been trained and briefed on the new Regulations.

Events and New Business Cases

- 4.3 A number of business cases are currently under development or have been given approval to proceed in 2015/16, and internal audit have been asked by the management team to critically review their performance against the original business case. These include the 3G pitch facilities at Frimley Lodge, the Christmas Fayre and ice rink offering, the Surrey Heath Show, the Frimley Lodge Live festival amongst others.

5. CONCLUSION

- 5.1 This review demonstrates that the Council has continued to operate an effective system of internal audit throughout 2014/15, with an internal audit function that is compliant with the requirements of the 2013 Public Sector Internal Audit Standards.

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**Report on Internal Audit
Recommendations as at June 2015**

| | |
|----------------------|-----------|
| Portfolio | Corporate |
| Ward(s) Affected: | n/a |

Purpose

To update Members on the status of Internal Audit Recommendations

1. Internal Audit reports on the status of internal audit recommendations approximately every 6 months to senior management and Members.
2. The following report provides Members with an overview of the status of audit recommendations as at June 2015. Only ESSENTIAL recommendations are reported here so the Council can focus on the areas that are highest risk.
3. Internal Audit recommendations are recorded and tracked using an Access database. The database provides management reports that show which recommendations have been actioned, which ones are overdue and the audit recommendations not yet due to report.
4. The Internal Audit team classifies recommendations into one of three categories:
 - **Essential** – there is potential for financial loss, fraud, damage to Surrey Heath Borough Council’s reputation or loss of information. This may have implications for the achievement of business objectives and the recommendation should be actioned immediately
 - **Desirable** – there is a need to strengthen internal control or enhance business efficiency, but is not critical to the Council and should be actioned in the short to medium term
 - **Best Practice** – Internal controls or governance arrangements should be strengthened, but there is little risk of material loss or business objectives not being met. These recommendations are considered best practice but are not vital.
5. In the 12 month period to June 2015 Internal Audit raised a total of 81 recommendations, of which 38 are essential and 35 desirable and 8 are best practice. We are pleased to report that all essential recommendations have been actioned with the exception of 2, ie. 95% of all essential recommendations have been actioned.

6. We have discussed these 2 recommendations with senior managers and have agreed to extend the target date until March 16. An action plan is in place to address both these recommendations by that time.

Resource Implications

7. There are no resource implications arising out of this report.

Recommendation

8. Members are asked to note the contents of the report.

Background Papers: Appendix attached

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Service Head: Kelvin Menon – Executive Head – Finance
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ANNEX A- OVERDUE AUDIT RECOMMENDATIONS (ESSENTIAL) AS AT JUNE 2015

| Recommendation | Officer Responsible | Risk Rating | Status | Original Target Date | Update | Revised Deadline |
|---|--------------------------------------|--------------------|---------------|-----------------------------|--|-------------------------|
| CORPORATE ASSETS | | | | | | |
| A PPM policy should be drafted and approved to ensure that there is a consistent approach to undertaking remedial work. | Strategic Corporate Property Manager | Essential | Overdue | 31/3/14 | This cannot be completed until condition surveys on all Council assets are complete. The condition surveys are progressing. The lease renewals have taken longer than anticipated and this has delayed the completion of the condition surveys and therefore the preparation and implementation of the PPM policy. | 31/3/16 |
| The Corporate Property team should complete the review of leases in place and enter the obligations of both the tenant and the authority within an appropriate timescale. | Senior Estates Surveyor | Essential | Overdue | 31/12/14 | The information has been collated in its basic form however the implementation of the lease renewal programme by the Asset team will change some of the Council's liabilities. An action plan has been developed to complete a compliance database by early spring 2016, by employing additional resources. | 31/3/16 |

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