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Friday, 15 July 2016

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

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

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

Dear Councillor,

A meeting of the **Audit and Standards Committee** will be held at Council Chamber, Surrey
Heath House on **Monday, 25 July 2016 at 7.00 pm**. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Karen Whelan

Chief Executive

AGENDA

	Pages
1 Apologies for Absence	
2 Minutes of Previous Meeting	3 - 6
To agree and sign the minutes of the Audit and Standards Committee meeting held on 31 March 2016.	
3 Declarations of Interest	
Members are invited to declare any disclosable pecuniary interests and non pecuniary interests they may have with respect to matters which are to be considered at this meeting. Members who consider they may have an interest are invited to consult the Monitoring Officer or the Democratic Services Manager prior to the meeting.	

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|----------|---|----------------|
| 4 | External Audit- Financial Statements Audit Plan 2015/16 | 7 - 24 |
| | To receive a report from the Council's External Auditors on their audit of the Council's 2015/16 financial statements. | |
| 5 | Annual Governance Statement | 25 - 36 |
| | To receive and comment on a report setting out the Council's draft Annual Corporate Governance Statement. | |
| 6 | Internal Audit Annual Report 2015-16 | 37 - 46 |
| | To receive a report summarising the work undertaken by the Council's Internal Audit function during the 2015/16 financial year. | |
| 7 | Annual Review of the Effectiveness of the System of Internal Audit | 47 - 52 |
| | To consider a report setting out the annual review of the effectiveness of the system of internal audit for 2015-16. | |
| 8 | Annual Standards Report 2016 | 53 - 54 |

Date of Next Meeting

The next meeting of the Audit and Standards Committee is scheduled to take place on Monday 19th September 2016 at 7pm.

Minutes of a Meeting of the Audit and Standards Committee held at Council Chamber, Surrey Heath House on 31 March 2016

+ Cllr Valerie White (Chairman)
+ Cllr Paul Inicki (Vice Chairman)

+ Cllr Rodney Bates
- Cllr Edward Hawkins
+ Cllr David Lewis

+ Cllr Jonathan Lytle
- Cllr Bruce Mansell

+ Present
- Apologies for absence presented

Substitutes: Cllr Ian Sams (representing Cllr Mansell)

In Attendance: Sheena Adrian, Charlotte Goodrich, Neil Hewitson, Karen Limmer, Kelvin Menon, Alex Middleton, Sarah Parmenter and Karen Whelan

12 Minutes

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

13 Declarations of Interest

There were no declarations of interest.

14 Annual Plan 2016/17

The Committee considered a report setting out the proposed Internal Audit Annual Plan for 2016/17.

The Plan set out the proposed work programme for Surrey Heath's internal audit function for the 2016/17 financial year. The plan had been based on the Internal Audit Strategic Three Year Plan and contained a combination of cyclical annual reviews as well as one off pieces of work and reviews scheduled on a three yearly cyclical basis. The plan was considered flexible enough to meet the ongoing needs of the Council and covered a wide range of services. Progress against the Plan would be reviewed regularly to ensure that it remained achievable. It had been estimated that two full-time auditors would require 522 days to deliver the proposed plan.

Additional resources had been identified to supplement the Internal Audit Team, which was currently working at half strength due to long term staff absence. The additional resource had worked for the Council previously and would take up the post in September/October.

RESOLVED that the 2016-17 Internal Audit Annual Plan be approved.

15 Peer Review

The Committee was given an update in respect of the Local Government Association (LGA) Corporate Peer Challenge which the Council had undertaken in October 2014.

The 2014 Peer Challenge had identified 15 recommendations for the Council and the progress made towards achieving these had been reviewed by an LGA follow up visit in December 2015. The Review Team commended the work of the Council to implement the recommendations identified in 2014 and noted in particular the enthusiasm with which Council staff had engaged with the process. Particular areas of note for the Review Team included: the development of the Wider Management Team and the investment that staff had in the organisation, the development of a revised Town Centre Plan and the development of a strategic approach to property acquisition through the Council's Investment Strategy.

The Committee stressed that recommendations to develop an effective Overview and Scrutiny function and to increase the community leadership function of councillors were ones that could only be taken forward by members. It was therefore essential that all members were encouraged to develop these areas.

The Committee noted the update.

16 Corporate Risk

The Committee considered a report setting out the Council's Corporate Risk Register.

The Corporate Risk Register identified the main high level risks faced by the Council in relation to achieving its objectives and priorities and any mitigating actions that were being taken to control these risks. The register was reviewed and updated on an annual basis.

In relation to identified risk 8, TEEP, the Committee was informed that investigations by the Surrey Waste Partnership had found that the Council's approach to collecting co-mingled recyclates was an appropriate approach that was both TEEP compliant and ensured that value for money was achieved. This work was now being used across the County by other authorities to support their continuance of co-mingled recyclates collections. It was stressed that whilst Surrey Heath Borough Council had responsibility for waste collection responsibility for waste disposal in Surrey lay with the County Council. Consequently it was the County Council who carried any risk associated with changes in commodity prices.

RESOLVED that:

- i. The Corporate Risk Register be approved
- ii. No further mitigation actions be recommended
- iii. The Corporate Risk Register is reviewed by the Audit and Standards Committee in twelve months time.

17 Certification Of Claims and Returns - Annual Report 2014/15

The Committee received a report setting out the outcomes of an external audit of the Council's certification of claims and returns for Housing Benefit during 2014/15.

The Council paid out approximately £20million in Housing Benefits each year and auditing of these accounts was required to ensure that the amounts paid out matched the amounts claimed and that the Council was complying with all the relevant regulations. It was reported that KPMG had issued an unqualified report for the audit.

The Committee noted the report.

18 Update on Financial Statements

Charlotte Goodrich and Neil Hewitson, KPMG, attended the meeting to present the Annual External Audit Report for 2015/16. The report summarised the key findings arising from an audit of the Council's 2014/15 financial statements and a Value for Money judgment on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

It was reported that, although filing deadlines had been missed, KPMG had issued a clean audit statement on the Council's 2014/15 Financial Statements. The Auditors concluded that whilst the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and to ensure financial resilience in 2014/15 there had been concerns about the capacity of the Finance Team and the application of core financial controls which had impacted on the Council's financial control and efficiency and productivity during the 2014/15 financial year. Consequently a Qualified (Except for) conclusion in relation to the Council's ability to secure Value for Money was issued.

It was recognised that the introduction of a new financial ledger system on 1 April 2014 had been a challenge for the Council and had had a detrimental impact on the consistency with which financial controls were applied in-year and meant that the monitoring of actual expenditure against budgets did not take place as regularly as it should have done during 2014/15. A number of key recommendations had been identified as a result of the audit and it was expected that addressing these would ensure that future audits had more positive outcomes.

The Auditors thanked all members of staff involved in the audit for their hard work and assistance.

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

- Officers had found the new financial ledger system to be much more user friendly than the previous one, which had been over twenty years old, and its structure meant that reporting was now much more streamlined than in the past.

- Many of the issues identified by the audit related to technical matters rather than to the way that money was being handled. In addition, many of the matters that had been scrutinised by the audit had never been subjected to an audit and this had highlighted a significant number of matters that had required addressing.
- Although the deadline for filing the Council's 2014/15 Financial Statements had been missed no penalties could be levied against the Council however it was not considered good practice to miss the filing deadlines.

The Executive Head of Finance acknowledged that the limited resources available had impacted on the implementation of the new financial ledger system and that this had caused negative consequences for the Council. Additional resources had been engaged to assist with the year-end processes and the situation would be reviewed in May 2016. If this review identified the need for ongoing additional resources then these would be identified.

The Committee thanked all those who had been involved in implementing the new financial ledger system and the audit for their work.

RESOLVED that:

- i. the Executive Head of Finance be authorised to sign the Letter of Representation on behalf of the Council
- ii. the audited financial statements for 2014/15 be received
- iii. the financial statements be approved by the Chairman of the Audit and Standards Committee on behalf of the Council

19 Statement of Accounts 2015-16

The Committee received a report providing an update on the work taking place to ensure that the 2015/16 Statement of Accounts is compliant with statutory requirements.

The Committee was informed that although the public had the right to inspect the Council's Statement of Accounts for 30 days before they were signed off the majority of public enquiries on the Accounts were now received via Freedom of Information requests and it was rare for the public to exercise this right.

The Committee noted the report.

Chairman

Financial Statements Audit Plan for 2015/16

Portfolio:	Finance
Ward(s) Affected:	All

Purpose

To inform members on external audit's plan for the audit of the 2015/16 financial statements

Background

1. Each year the Council is required to have its financial statements audited by an external auditor.
2. The auditor's statutory responsibilities and powers are set out in Local audit and Accountability Act 2014 and the National Audit Office's Code of audit Practice. The auditors responsibilities in respect of the 2015/16 financial year require them to review/audit and report on:
 - a. The Financial statements including the annual governance statement and to provide and opinion on the statements
 - b. Use of resources meaning concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources – commonly known as the “value for money” conclusion
3. The Auditor has identified two key audit risks. The first is in relation to the valuation of land and buildings due to the materiality of the figure and the second is in relation to borrowings which are a new area this year.
4. The auditors are planning to do their work during July to enable them to report to members in September.

Key Issues and Resource Implications

5. The Plan set out in Annex A, outlines how External audit intend to conduct their audit, the areas of risk, the staff resources involved together with the proposed fee. The fee for this year is shown on page 19 of Annex A and has been set at £55,857. In addition the Council is charged for the certification of grant claims as required by the DWP.
6. The fee quoted is only indicative and may change if additional work is required.
7. The audit team is lead again by Mr Neil Hewitson who is the KPMG Director in charge of the audit and looks after several Councils across Surrey. He is assisted by Mr Satindar Jas and Ms Tanny Datta.

Recommendation

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

Contact:

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



External Audit Plan 2015/2016

Surrey Heath Borough Council

April 2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

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

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

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
- Borrowings

In addition to this specific risk we recognise management override of controls as a presumed risk in accordance with auditing standards.

See pages 3 to 5 for more details.

Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment regarding your arrangements to secure value for money has identified a VFM significant risk in relation to the capacity, capability and structure of the finance team.

See pages 6 to 9 for more details.

Logistics



Our team is:

- Neil Hewitson – Director
- Satinder Jas – Manager
- Tanushree Datta – Assistant Manager

More details are on **page 12**.

Our work will be completed in two phases from April to September and our key deliverables are this audit plan and a report to those charged with governance as outlined on **page 11**.

Our fee for the 2015/16 audit is £41,900 exc. VAT see **page 10**.

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2015/16 presented to you in April 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

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

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

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *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 ongoing process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

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

Financial Statements Audit

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



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16.



Financial Statements Audit Planning

Our planning work takes place during April to May 2016. This involves the following key aspects:

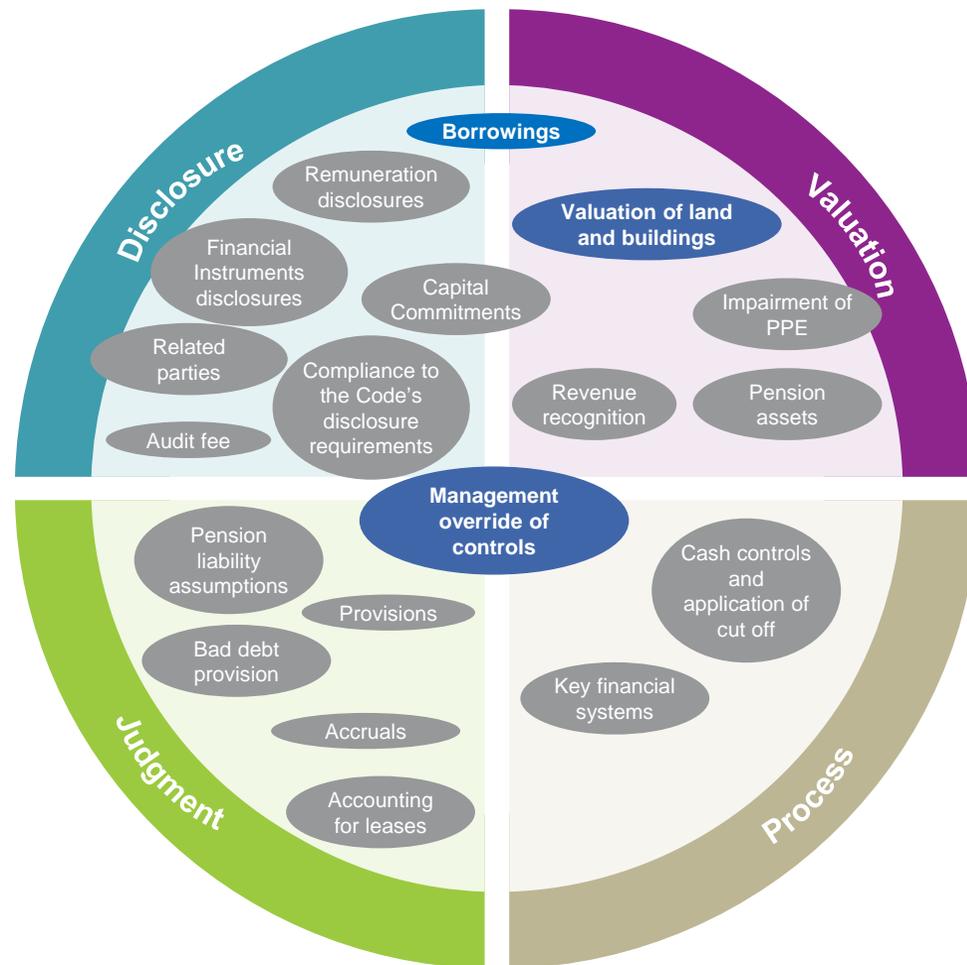
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 250 Report.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

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



Keys: ● Significant risk ● Example other areas considered by our approach



Significant Audit Risks

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

Significant Risk – Valuation of Land and Buildings

▪ Risk

Local Authorities exercise judgement in determining the fair value of the different classes of assets held and the methods used to ensure the carrying values recorded each year reflect those fair values. In accordance with the suggested accounting policies provided by the CIPFA code of practice, the Council achieves this by performing: an annual review for impairment; a full annual valuation over Investment Property; and a full valuation in not more than five yearly intervals over all other land and buildings. The Council undertake a 20% valuation of assets each year to ensure all assets are valued within a five year cycle.

In 2014/15 the Council reported that it had Other Land & Buildings totalling £55.7m and Investment Properties totalling £12.5m. Given the materiality and judgement involved in determining the carrying amounts of assets we consider this to be a significant audit risk for 2015/16.

▪ Approach

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

- review the revaluation basis and consider its appropriateness. We may engage our in-house property experts to undertake an assessment of the revaluation;
- review management's challenge to any of the valuations and to any differences between the valuation report and the financial statements;
- undertake appropriate work to understand the basis upon which any impairments to land and buildings have been calculated and test associated assumptions;
- assess the independence and objectivity of the external valuers engaged by Management; and
- assess the review undertaken by the Council including the assurances they have obtained from their valuers (Wilks Head and Eve) to confirm that there are no material changes in the fixed asset values from the date of valuation (December 2015) to the Council's reporting year end date.

Significant Risk – Borrowings

▪ Risk

The Council has taken out new borrowings of £17.9m which includes three Public Works Loan Board (PWLB) loans and one other loan. Details of the loans are included below:

- PWLB Loan, Value: £6m, Period of Loan: 50 years, Interest rate: 3.44%, start date: 24/6/2015
- PWLB Loan, Value: £8.4m, Period of Loan: 50 years, Interest rate: 3.16%, start date: 21/4/2015
- PWLB Loan, Value: £2m, Period of Loan: 5 years, Interest rate: 2.11%, start date: 21/4/2015
- M3 LEP Loan, Value: £1.5m, Period of Loan: 5 years, Interest rate: 0%, start date: 21/4/2015

▪ Approach

We will undertake the following work over the borrowings:

- Confirm the PWLB loans to the PWLB website.
- Obtain third party confirmation for the fourth loan.
- Review the disclosure for the borrowings in the financial statements to confirm it has been included in line with the guidance



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.

Materiality for planning purposes has been set at £900k, which equates to 2% percent of gross expenditure.

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

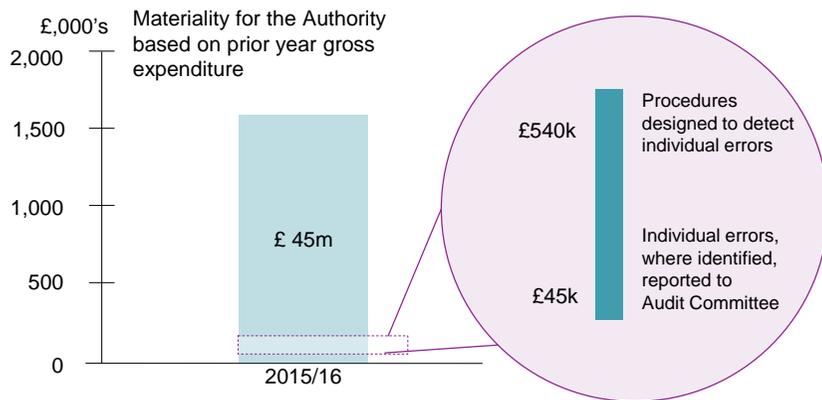
Reporting to the Audit Committee

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 Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45k.

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



Background to approach to VFM work

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

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

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.

Overall criterion

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





VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant <i>'if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.'</i></p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Page 16



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

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

Capacity, capability and structure of the finance team.

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

We agreed ten recommendations in our 2014/15 ISA260 report, including six high priority recommendations, which if implemented should significantly address the capacity, capability and structural identified. Given the impact these issues had on the 2014/15 cycle will we review progress against these recommendations as a priority under our VFM workstream for 2015/16.

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 2015/16 have not yet been confirmed.

Elector challenge

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

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

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

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

Our audit team

Our audit team will be led by our specialist public sector assurance department and is led by two key members of staff. Neil Hewitson (Director) who is the lead of the engagement for 3 years retaining continuity and Satinder Jas (Manager) who is an experienced public sector manager who works with Neil across a wide range of public sector clients. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

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

Independence and Objectivity

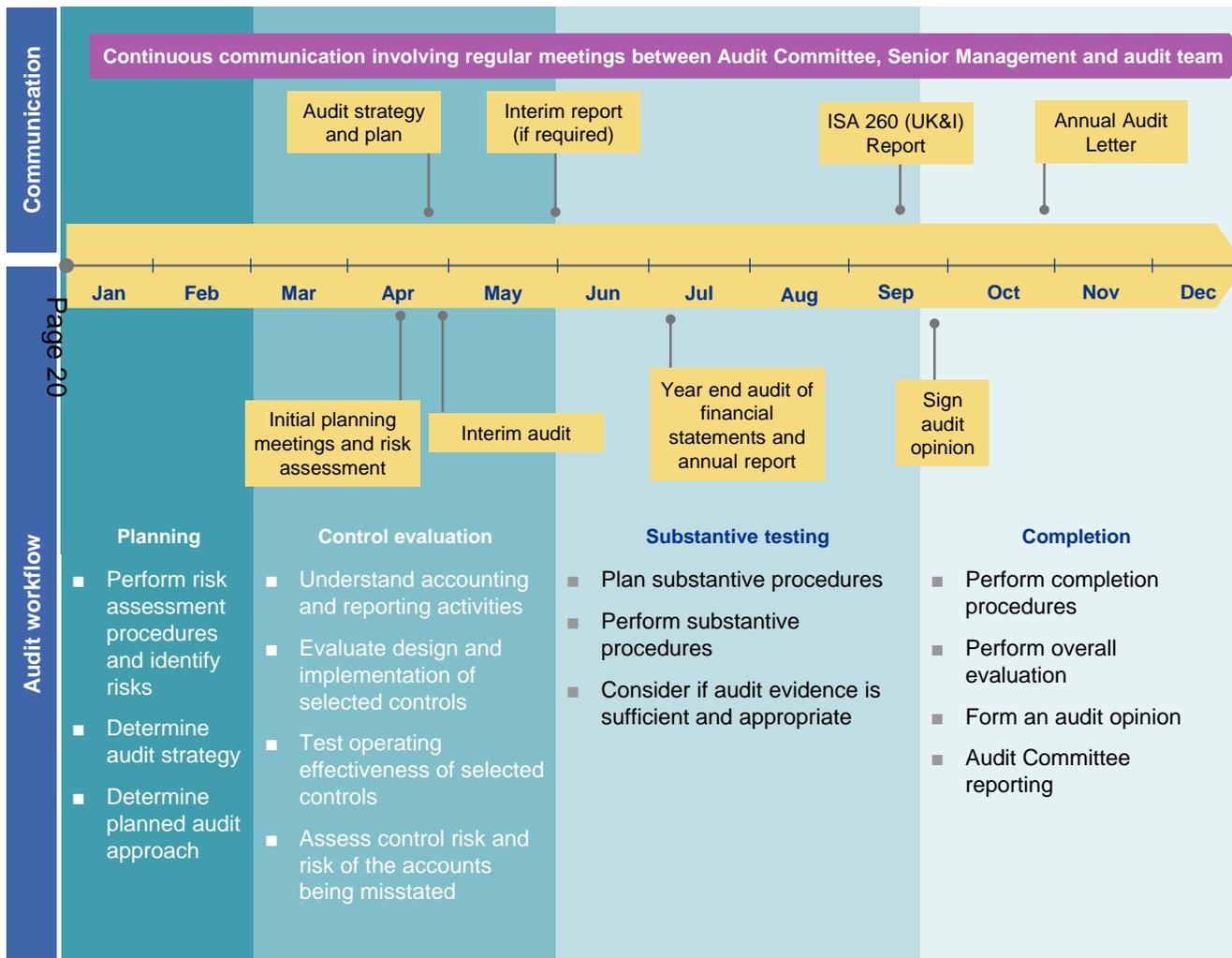
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in April 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions..

The planned audit fee for 2015/16 is £41,900 exc. VAT as set by the PSAA.

Our fee for certification and grant claims in 2015/16 is £8,430 exc. VAT.



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals.



Your audit team has been drawn from our specialist public sector assurance department.



Name	Neil Hewitson
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Corporate Management Committee and Executive Directors.</p>

Neil Hewitson

Director

Telephone: +44 (0) 790 999 1009

Email: Neil.Hewitson@kpmg.co.uk



Name	Satinder Jas
Position	Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Neil to ensure we add value.</p> <p>I will liaise with the Corporate Head of Resources and the Finance team.'</p>

Satinder Jas

Manager

Telephone: +44 (0) 7979 612 771

Email: Satinder.jas@kpmg.co.uk



Name	Tanushree Datta
Position	Assistant Manager
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Tanushree Datta

Telephone: +44 (0) 7468 740 825

Email: Tanushree.Datta@kpmg.co.uk

Independence and objectivity

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

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

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

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

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

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

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

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

Confirmation statement

We confirm that as of 16 April 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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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.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 [...], 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.

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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 2015/2016 annual accounts and will be signed by the Leader of the Council and the Chief Executive.

Recommendation

The Standards and Audit 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, the Corporate Management team, 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 - Head of Legal Services Karen.limmer@surreyheath.gov.uk

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Annual Governance Statement 2015/16

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 2016 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 Finance 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 Finance 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 Audit and Standards 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.
- 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 Finance Committee. A risk section is included in all Executive reports to ensure that it has been properly considered.
- The Council reviewed and updated its Financial Regulations during the year to ensure that they were up to date and aligned with the new financial system. They were adopted by Council and the new set will be published shortly, and refresher training is planned to be given to staff.

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

- The corporate risk group meet regularly to update the corporate risk register and to ensure that identified risks have mitigation processes in place and clear lines of responsibility. This is then discussed with the Council's Management team and presented to Members.

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. 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 managed by the Council's Transformation service. The head of Paid service has delegated authority to make changes provided that there is no increase in head count. Any other changes are approved 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 has established a "Land and Property Board" chaired by the Chief Executive and consisting of the Section 151 Officer, Leader and Deputy Leader in order to drive forward the agenda presented by the Council's Key Priority 2.

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 Audit & Standards 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 normally 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. Reports also offer an action plan recommending areas for improvement. The Council's internal audit team works towards the Standards provided by the IIA's International Professional Practices Framework.

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 Corporate Management Team 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 Audit & Standards 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 Audit and Standards 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 Finance 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 was recently awarded the Gold Investor's in People standard.

- 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. There is a greater reliance on the use of social media as a means of communication with the wider community.
- 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 Comms Team 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. Council key messages are also communicated with all staff on a formal basis several times a year through the staff magazine, and through the all staff briefing.

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

The work of Internal Audit provides one of the levels of assurance to management, along with the work of external regulatory bodies such as external audit and Investors in People. This level of assurance is obtained from the Internal Audit team undertaking a number of internal audit reviews each year based on an annual plan. The audit Plan is agreed by members of the Audit & Standards committee annually. The Plan is derived from the 3 year Audit Strategy which has also been approved by Members.

The output and quality of audit work is governed by senior management review of audit working papers as well as the internal audit reports. The team also work towards the international Standards of the chartered Institute of Internal Auditors or IIA, which all the team are members of.

In 2015/16 Internal Audit undertook a number of scheduled audits which were included in the Plan as well as a number of ad hoc or unscheduled pieces of work, which formed part of the contingency work of the team. Normally the 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. Overdue essential recommendations are reported twice yearly to CMT and to Audit & Standards Committee as part of an escalation process. The status of medium or desirable recommendations are also planned to be reported to committee in 2016/17.

Limited or nil assurance reports are reported to CMT on a regular basis each year. All limited or nil level of assurance reports are normally followed up within 6 to 9 months to check what progress has been made by management.

Internal Audit did not issue any limited or nil assurance reports issued in 2015/16. There were no significant governance issues identified that would have an adverse effect on the Council's financial statements. The overall opinion of the Head of Internal Audit is that the Council's internal control framework is adequate and effective and was managed in 15/16 with due care and attention. This is based on the work of internal audit during the course of 15/16 as well as the opinions provided by other assurance providers.

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.

A log is kept of all data breaches and in 2015/16 nine minor internal incidents 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. A new version is planned for 2016/17.

The Council achieved re-certification for the Public Sector Network (PSN) in January 2016 after passing its health check which is carried out by an external body. A major achievement during the year was the de support of Windows 2003 servers and the migration of systems to a new supported version of 20 plus servers.

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

In line with guidance from the Information Commissioner's Office Privacy Impact Assessments (PIAs) have been carried out for the use of hidden cameras to combat incidents of fly tipping, Google Apps and Marketing.

Work has begun on producing an Information Asset Database and updating the retention and disposal schedules. The Information Asset database will record the organisations information assets, both electronically and in paper format and the risks associated with them. It will record the lifecycle of an asset.

Based on the controls in place and the work undertaken during the year the SIRO is of the opinion that the Council's controls over the security and use of information assets were adequate for the 2015/16 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 2015/16, 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. The corporate risk management group sits on a periodic basis to update corporate risks and to update the Corporate Risk register.

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 Constitution as recommended by the Governance Working Group. These will lead to more efficient decision-making.

Financial Regulations

These were reviewed and updated during the year to reflect changes brought about by the new financial system and to make processes more efficient and consistent.

Business Continuity and Emergency Planning

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

Business Continuity Impact Assessments were completed for all services across the Council in 15/16 and mock test exercises undertaken to test their resilience.

HR Policies

HR Policies relating to the Pay Settlement Statement, Disciplinary Policy, Grievance Policy, No Smoking Policy, Exceptional Payments procedure, Information Security Policy, People Strategy, Leave and Special Leave Policy, and reservist Policy were all reviewed and approved during the year.

New Financial System and year end Accounts

The introduction of a new financial system in 2014/15 brought with it a number of issues relating to bank reconciliations and budget monitoring. This resulted in an “except for” opinion being given by the Council’s External Auditors on the value for money conclusion. In addition it led to a significant delay in finalising the 2014/15 accounts and finishing the audit. In the current year these issues have been addressed. The bank reconciliation is performed on a regular basis and the Council has taken steps to improve its budget monitoring system although there is still some way to go to integrate this fully with the new financial system. The preparation of the accounts is proceeding to schedule and the issues that arose last year are not anticipated for this year’s audit.

In order to help address the issues that arose with the end of year accounts for 2014/15 and to prevent them reoccurring, an action plan on increasing in year assurance for the financial accounts has been produced. The report provides Members and senior management with a series of recommendations for improving controls over areas such as the Collection Fund, bank reconciliations, opening balances, budget monitoring, accruals, adherence to timetable and use of internal audit. It is hoped that this report supported by the actions listed above will help to deliver a more effective end of year process and set of financial statements.

Governance Issues Reported Last Year

A number of issues were reported in 2014/15 and the following action has been taken to address these:

- Human Resources. An annual audit was carried out in 15/16 where HR systems were examined in some detail. The majority of weaknesses identified and reported in 14/15 have since been addressed. System improvements have also been made to Chris 21 (the mileage and payments system).
- Parks & Open Spaces. The lease to manage the café at Frimley Lodge park was terminated in January 2016 and a new contractor was chosen to run the facility from March 2016. This has addressed the cash handling issues previously identified, and an audit to examine the new contractor arranged for 16/17.
- Camberley Theatre. Significant improvements to cash and security controls operating at the theatre have been introduced or upgraded. Catering arrangements with the previous catering contractor have also been ended in 15/16 resulting in the café/bar function now being managed in house again.
- Community Services. Re structuring within the team has resulted in efficiencies and a tightening up on procedures. The new arrangements with Runnymede BC have been introduced and are settling down.
- Travellers Sites. A number of changes have been made to the arrangements with the traveller sites and county and whilst some of these are working well, some are still to deliver effectively and the Council continues to work with County to address these.
- Council’s Centre for Elderly – Windle Valley. A follow up audit was conducted in 15/16 and the majority of recommended have been actioned. The Council has employed the services of a new experienced team leader at the centre.

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 2015/16, 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:

There were no significant issues as a result of internal audit work carried out in 15/16 and there were no limited or nil assurance audits issued in year.

Major Projects

The Council continues to be involved in a number of projects and initiatives that are complex in nature, dependent upon working with partners to achieve and may require significant Council investment and hence an increase in financial risk. These will continue to be monitored closely over the coming year.

In Year Assurance

As a result of the issues the Council faced with the 14/15 financial statements an action plan has been developed and agreed with management. The recommendations raised in the action plan, if implemented, will help to deliver the in year assurance the Council requires to help it complete end of year processes and the production of the financial statements.

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.....

Internal Audit Annual Report 2015-16

Portfolio	Finance
Ward(s) Affected:	n/a

Purpose

This report summarises the work undertaken by Internal Audit for the financial year 15/16 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 2015-16

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 Audit and Standards Committee.
3. In 2015/16, a total of 20 audits were carried out, 18 from the Annual Plan and 2 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 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. In respect of the 2015/16 financial year, internal audit agreed the following final reports, where the audit ended in a formal report:
- 0 - Full assurance
 - 13 - Substantial assurance
 - 0 - Limited assurance
 - 0 - Nil assurance
6. For the financial year a total of 51 recommendations were made of which 15 were classified as essential or high and 36 were classified as desirable or medium priority. 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

Essential recommendations that have not been actioned or implemented without valid business reasons are reported twice yearly to senior management and to Members. A review was carried out of all overdue essential recommendations as at 31 May and it was found that there were none.

Hence as a consequence of this no separate overdue recommendations report is required.

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 2015/16 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 has been undertaken by the internal audit team, and the Council is compliant with the majority of the Code. The team continues to work on developing 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 2015/16 Audit Annual Report.

Background Papers: None

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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. 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. The introduction of the new financial system in 14/15 brought with it a number of issues. In order to help address these and to prevent them from reoccurring, an action plan on increasing in year assurance for the financial accounts was produced. The audit team has worked with the finance team to deliver this action plan by incorporating new and improved tests in areas such as budget monitoring, accruals, opening financial balances and bank reconciliations.

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 15/16:

Table 1
Key Finance systems work conducted in 15/16

Audit	Summary of areas covered
Debtors and Income	Raising of sundry debts correctly and promptly; debt recovery action and the payment of debtor invoices; cancelling Council debts correctly and the processing of credit notes; reconciliations between the sundry debtor system and the general ledger; reconciliations between debtors and the cash receipting system.
Creditors and Expenditure	A review of the payment run process, including checks on prepayment, post payment and BACS file reports, and the approval process; testing of creditor invoices to see that they are paid promptly, for the correct amount and to the correct supplier; the process for making approved amendments to suppliers bank accounts; review of excepting reports such as high payments to ensure unusual or irregular transactions are being identified and investigated.
Main Accounting	Corporate budget monitoring processes; chart of accounts to trial balance mapping; year end arrangements such as accruals and cut off processes and adherence to statutory deadlines; a check of opening balances on Civica; how access is controlled to the finance system and material feeder systems; testing of journals posted on Civica.
Treasury Management	Examination of treasury investments made in year with money markets, banks, building societies, as well as corporate and government instruments; review of the Council's Treasury strategy and treasury indicators; access to the computer systems used to create and place treasury investments; review of investment performance throughout the year and reporting to senior management and Members.
Revenues	Examination of commercial and council tax refunds processed in year; reconciliations performed between the revenues system and Valuation office records, as well as cash receipting/feeder systems; applying and the administration of various exemptions and discounts to accounts such as single person discount, and exemptions for

	annexes and persons going into care homes.
Payroll	A review of new starters and leavers of the Council to ensure each have been paid correctly and adjustments made correctly to payroll systems; testing of a sample of amendments to pay such as job promotions and changes to working hours; a review of exception reports produced to help verify and confirm accuracy of payroll, such as negative pay, starters and leavers; reviewing arrangements in place to check accuracy of payroll and HR system data via establishment lists.
Housing Benefits	Reperformance of a sample of benefit claims processed and paid in year, including new claims assessments and change in circumstances assessments; review of reconciliations undertaken between finance system and benefits system to check accuracy of payment runs to benefit customers; examination of exception reports used to support benefit assessments from the benefits system such as high value payments, and rejected BACS payments.
Capital Accounting	A review of asset valuations that have been carried out in year on Council assets such as land and property and checking how they have been accounted for; checking that an impairment review has been undertaken in year and whether assets have been adjusted to take account of market events; a review of the capital work programme and spending against various capital projects; checking whether services are keeping their asset inventories up to date, and what processes are in place to determine asset valuations.

SCHEDULED HIGH AND MEDIUM RISK AUDITS

ICT - Substantial Assurance

The audit examined the following areas - the adequacy of IT security arrangements including PC/file/network controls, arrangements in place to manage the authority's confidential waste, a review of the Council's IT equipment management arrangements, including use of control of laptops and iPads, an examination of current building security arrangements to Surrey

Heath House, and finally a review of off-site working particularly home working.

A number of safeguards have been introduced to help manage the risks within the system.

HR – Substantial Assurance

The 2015/16 annual HR audit focused on reviewing and evaluating the authority's recruitment and selection processes, assessing the Council's staff appraisal system to ensure it is effective and staff performance is properly evaluated and training needs identified, the process for dealing with posts that require Data Barring Service checks, testing staff mileage claims for consistency and accuracy, as well as looking at the progress made with the actions identified from the Council's fairness survey.

Information Governance – Substantial Assurance

Internal Audit reviewed the Information Governance Strategy and IT Security Policy, the lines of accountability in relation to information and data, an examination of the authority's document retention and disposal policy, the contractual arrangements in place for the secure disposal of Council records and documents, arrangements in place for data handling and the processes adopted for the transfer of data to/from the Council, and a brief examination of the current arrangements in respect of Freedom of Information and the Data Protection Act.

Grounds Maintenance – Substantial Assurance

This was largely a contract management audit and the audit sought to review the arrangements in place to monitor the grounds maintenance contract with Glendale. The audit aimed to provide assurance to management that the grounds maintenance contract is being operated and managed properly, and revenue received and payments made by the Council are correct and on time.

Internal audit discussed the contract expenditure against budget, whether poor or non performance was being identified and properly managed including the issue of default notices, the procedures for sports pitch bookings, as well as what arrangements exist for inspecting works and agreeing variations to the contract.

Windle Valley day centre – Substantial Assurance

The audit concentrated on financial controls in place at Windle Valley particularly controls over cash collection, banking, the operation and access to the till and the on site safe. The audit did not review Dial A Ride and the

meals at Home services as these will be subject to separate reviews at some future date. A number of weaknesses were identified in the previous year and the 15/16 audit focused on ensuring action had been taken to fully address these issues.

Overall a number of improvements have been made from the previous year when a limited assurance report was issued. This audit has resulted in a substantial level of assurance being offered.

Business Continuity – no formal report

The Council's Business Continuity Champions, of which internal audit is a part, have continued to build on the successful work carried out in 14/15 when disaster recovery and contingency arrangements were limited.

The group reviewed the key messages as a result of the Crowmarsh, Oxfordshire incident in which the council building became inaccessible for a period time following an emergency situation. SHBC as a result has focused on developing its BC and DR plans, arrangements for contacting staff in an emergency, better consultation with local residents, improved facilities arrangements, improving staff welfare, critical documentation access, and other finance and insurance considerations.

In addition the group has been busy working on updating all the business continuity documents and records, including the BC Strategy and Resilience policy, the authority's Critical Activity list, all the service areas Business Continuity Plans and the Corporate Incident Management Plan. We assisted in service areas BCP validation exercises and the Incident Alert Level table reviews.

Equality and Diversity – no formal report

Internal audit has played an active role of the Equality officer Action Group (EAG) providing a challenge and governance role. The EAG has reviewed a number of policies in 15/16 including the Reservist policy, Information Security policy, Exceptional Payments policy, Disciplinary policy, Smoking policy, Grievance policy, and the Family Friendly policy. The group has also successfully been awarded with the 2 ticks disability accreditation.

Use of Consultants/Professional Advisers – Substantial Assurance

The audit aimed to provide assurance to management that expenditure on professional advisors is regularly monitored by the Council, spend is within budgets sets and consultant engagements create and deliver value.

A number of improvements have been suggested to management which it is hoped will help to deliver better value for money from public sector consultant

engagements and drive a more consistent approach. These include better planning and specification, fully engaging with each consultant, and ensuring project deliverables match the initial project business cases.

It is also envisaged that the main findings of the audit will dovetail in with the project management scheme guidelines currently being developed by the Performance Management Group.

Parks & Open Spaces – Event management – no formal report

A number of marquee events were organised across the borough in 15/16 and the internal audit team have been busy helping review these and making sure effective finance controls are in place, and that all events are being suitably project managed and effective governance arrangements in place. We also helped to produce full risk assessments at each event so that service management were able to fully manage the associated risks.

The events include the Surrey Heath Show, the summer Frimley Lodge Live music festival, and the potential of a winter wonderland event.

Internal audit were also involved reviewing the closing lease with the previous operator of the café at Frimley Lodge, and the security and accounting for parks income.

Camberley Theatre – no formal report

Monthly trading accounts as well as income and expenditure on the catering offering at the theatre were examined in 15/16. Financial assistance was given to theatre staff to help with the termination and closing down arrangements of the previous catering contractor, in June and July 2015. In addition we helped the theatre staff undertake a closing stock of all the catering function, to ensure all stock including stock transferred to the contractor's other site, was fully accounted for and the bar and catering stock up to date and accurate. A full theatre audit is scheduled to be carried out in the summer 2016.

UNPLANNED AUDIT ACTIVITY

The following additional pieces of work were undertaken that were not scheduled in the Annual Plan for 2015/16:

Mytchett Community Association – no formal report

A review of the lease between the Council and Mytchett Community Association was carried out in 15/16. A detailed review was also carried out of the charity's trading and their set of financial accounts. A number of

recommendations were put forward and the team has been working with leisure to improve how the centre has been operating from a financial point of view, and to help ensure compliance with the Charity Commission.

Windlesham Parish Council – no formal report

Internal Audit were engaged by the parish council to review the delivery of its grounds maintenance work programme following the departure of some staff. We carried out a thorough review of the fixed assets owned by the parish and undertook a comprehensive asset inventory of equipment and machinery located at various sites around the parish, in relation to cemeteries, parks and grounds maintenance. The Council has since billed the parish council for this work.

STAFFING AND RESOURCES

A total of 522 days were required to deliver the 15/16 Annual Plan and to adequately resource the team. The following resources were available:

- 1x Senior Auditor – available for the whole year
- 1x Auditor - absent for part of the year due to sickness

The internal audit team operated with limited resources for part in the year, which has resulted in an adjusted work programme.

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 2015-16 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 control.

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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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:
- Work programme and decisions from the Audit & Standards Committee
 - Compliance with the Public Sector Internal Audit Standards
 - External audit review of Internal Audit's work
 - Performance against Internal Audit's work plan for 2015/16
 - Other achievements by Internal Audit in 2015/16
- 1.3 Potential challenges for internal audit for the 16/17 financial year are set out in section 4 of this paper.

2. FINDINGS FROM THE REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

Work of the Audit and Standards Committee

- 2.1 In 2015/16 members from the Audit & Standards 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. Members of the committee review and approve internal audit papers including 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 The assurance that the work of internal audit provides helps to ensure that the standards 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 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 continuing to work with management to continually address these improvements.

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 committee
 - Approval of the risk based audit plan by committee
 - Senior Auditor reports to CMT as well as Members of the Audit & Standards committee on risk issues, and internal audit reports
 - Internal Audit has direct access to the Chief Executive or with the Council's external auditors if necessary.

Performance against the Audit Plan and Achievements of Internal Audit in 2015/16

- 2.7 Detail of the completed work programme of Internal Audit in 2015/16 is set out in the Internal Audit annual report.

External Audit review of Internal Audit's work

- 2.8 The external auditors review the work programme of internal audit and the reports produced by the internal audit team as part of their year end work undertaken on the financial statements.

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 financial 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. By providing this combined level of assurance the internal audit team can provide the best possible and most efficient service to the authority.

3. IMPROVEMENTS TO THE SYSTEM OF INTERNAL AUDIT 2015/16

- 3.1 The 2014/15 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 2015/16

Area for Improvement as identified in the 2014/15 review	Improvements implemented in 2015/16
Introduction of new Financial Regulations.	The Council's set of Financial Regulations have been revamped. The revisions have been agreed at Full Council and by the Corporate Governance working group. They will be fully rolled out in 16/17.
New business initiatives and events	The internal audit team has assisted the business service in delivering new initiatives around the borough. Risk assessments have been developed for events such as the Surrey Heath show, the Winter fayre, and the summer festival Frimley Lodge Live. Internal audit has worked with business services staff in helping to identify controls that need to be put in place, such as cash handling, and staff and building security.
New business cases.	External business cases were reviewed as part of the use of consultants/professional advisors audit carried out in 15/16.

4. CHALLENGES FOR 2016/17

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

Council wide capacity issues

- 4.2 Council staff continue to face delivering 'business as usual' activities whilst having to explore opportunities for cost efficiencies and savings, and considering different ways of working. Internal audit will need to

adapt and be flexible in its working patterns and operations to work with services to carry out audits when there are conflicting capacity issues and resources are limited from time to time.

5. CONCLUSION

- 5.1 This review demonstrates that the Council has continued to operate an effective system of internal audit throughout 2015/16, with an internal audit function that is compliant with the requirements of the 2013 Public Sector Internal Audit Standards.
- 5.2 The audit team has continued to broaden its remit across the authority to ensure that it plays a wider role working with business units to help them to deliver their services, achieve better results and reduce risk. Examples of this sharing areas of best practice with services and identifying value for money.

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Annual Standards Report 2016

Summary

This is the Annual Report of the Monitoring Officer as required by the terms of reference of the Audit and Standards 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 Persons 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 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 The Council has agreed to the appointment of a pool of Independent Persons for the purposes of the Localism Act 2011, as a minimum of two persons is required. A protocol will be worked up in conjunction with the participating authorities.

2.6 During the year, a number of relatively minor issues have arisen both at borough and parish level.

- 2.7 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. If further training is required by members then this can easily be put in place.
- 2.8 Some changes have been made to the Constitution, particularly to the Scheme of Delegation, and it is proposed that a further review take place later in the year. This will be led by the Governance Working Group. A new Civic and Ceremonial Protocol is also being worked up.

3. Supporting Information

- 3.1 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.
- 3.2 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.

4. Corporate Objectives And Key Priorities

- 4.1 These are statutory requirements.

5. Legal Issues

- 5.1 These are set out above.

6. Governance Issues

- 6.1 These are set out above.

Annexes	None
Background Papers	None
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