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Monday, 26 July 2021

To: The Members of the **Audit and Standards Committee**  
(Councillors: Cliff Betton (Chairman), Darryl Ratiram (Vice Chairman), Rodney Bates, Edward Hawkins, Charlotte Morley, Sashi Mylvaganam and Valerie White)

**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 Richard Brooks, Paul Deach, Josephine Hawkins, Morgan Rise, Victoria Wheeler and Kristian Wrenn

Dear Councillor,

A meeting of the **Audit and Standards Committee** will be held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on **Wednesday, 4 August 2021 at 7.00 pm**. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Damian Roberts

Chief Executive

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## AGENDA

	<b>Pages</b>
<b>1 Apologies for Absence</b>	
To receive apologies for absence and to note the attendance of any substitute members.	
<b>2 Minutes of Previous Meeting</b>	<b>3 - 6</b>
To receive, and confirm as being a correct record, the minutes of the meeting of the Audit and Standards Committee held on 26 <sup>th</sup> April 2021.	
<b>3 Declarations of Interest</b>	
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.

- |          |   |                  |
|----------|---|------------------|
| <b>4</b> | <b>Annual Governance Statement 2020/21</b>  | <b>7 - 20</b>    |
|          | To consider the Annual Governance Statement that will accompany the Council's accounts for the 2020/21 financial year.                                |                  |
| <b>5</b> | <b>Effectiveness of the Internal Audit Function</b>   | <b>21 - 26</b>   |
|          | To receive a report setting out the findings of an annual review of the effectiveness of the system of internal audit for the 2020/21 financial year. |                  |
| <b>6</b> | <b>Internal Audit Annual Report</b>   | <b>27 - 36</b>   |
|          | To receive a report summarising the work of the Council's Internal Audit function during the 2020/21 financial year.                                  |                  |
| <b>7</b> | <b>External Audit Update</b>  | <b>To Follow</b> |
|          | To receive an update from the Council's External Auditors on their audit of the Council's accounts.   |                  |
| <b>8</b> | <b>Date of Next Meeting</b>   |                  |
|          | The next scheduled meeting of the Audit and Standards Committee will take place on Monday 20 <sup>th</sup> September 2021 at 7pm.                     |                  |

**Minutes of a Meeting of the Audit and Standards Committee held at Virtually - Public Meeting on 26 April 2021**

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+ Cllr Cliff Betton (Chairman)  
+ Cllr Darryl Ratiram (Vice Chairman)

+ Cllr Rodney Bates  
+ Cllr Edward Hawkins  
+ Cllr Sashi Mylvaganam  
+ Cllr Valerie White  
Cllr Charlotte Morley

+ Present  
- Apologies for absence presented

Members in Attendance: Cllrs Adrian Page, Sharon Galliford, Rebecca Jennings-Evans, David Mansfield and Pat Tedder

Officers Present: Michael Asare-Bediako, BDO  
Stephen Bladon, BDO  
Adrian Flynn, Chief Accountant  
Martin Hone, Interim Executive Head: Finance  
Alex Middleton, Senior Auditor  
Gavin Ramtohal, Head of legal Services

**20/AS Minutes of Previous Meeting**

**RESOLVED** that the minutes of the meeting of the Audit and Standards Committee held on 23<sup>rd</sup> November 2021 be approved as a correct record and signed by the Chairman.

**21/AS Declarations of Interest**

There were no declarations of interest.

**22/AS Internal Audit Annual Plan**

The Committee received a report setting out the proposed work programme for the Council's Internal Audit function for the 2021/22 financial year.

The Committee was informed that the proposed work plan had been based on the draft Internal Audit Three Year Strategic Plan, agreed by the Committee at its meeting on 20<sup>th</sup> April 2020. The proposals consisted of a combination of audit activities carried out on an annual basis, activities conducted on a triannual basis and one off audit projects. It was expected that the activities proposed in the Annual Plan would require 430 working days to be delivered by the Council's two internal auditors.

It was reported that the impact of the Covid-19 pandemic would be included in service audits.

It was noted that responsibility for running the Community Services functions had now transferred across to Runnymede Borough Council and the audit of this service area would focus on ensuring that the transfer of staff, equipment and resources had been completed properly and that the separation of duties was correct. It was expected that this would be Surrey Heath's final audit of the service.

The Committee was informed that the audit of Joint Waste Solutions was conducted in the Council's capacity as the administering body. It was questioned whether there was scope for either recharging the other joint contract authorities for a proportion of any audit costs incurred.

It was requested that future audit plans include reference to when the service was last audited and the length of time that the audit was expected to take. The Committee's reservations about the capacity of the Internal Audit function were noted and this would be monitored.

It was noted that reports and working papers from internal audit were made available to the Council's external audit team.

**RESOLVED** that:

- i. the Internal Audit Plan for 2021/22 be agreed.
- ii. future audit plans include reference to when the service was last audited and the length of time that the audit was expected to take.

## **23/AS Audit of 2019/20 Financial Statements Progress Update**

The Committee received a report from BDO, the Council's external auditor, on the progress being made to finalise their audit of the Council's 2019/20 accounts.

It was acknowledged that there had been significant delays in completing the audit of the accounts for the 2019/20 financial year. There had been a number of reasons for the delays including changes to the regulatory requirements for external audit work and the Covid-19 pandemic which had impacted not only on staffing levels at BDO but also raised practical challenges when sharing evidence and conducting testing under remote working conditions.

It was reported that, notwithstanding the Government's decision to extend the deadline for completion of the audit of local authority accounts to 30<sup>th</sup> November 2020, figures obtained by Public Sector Audit Appointments Ltd. showed that 55% (267) of local authority accounts audits for the 2019/20 financial year had still not been completed by the date of the extended deadline.

The Committee was informed that whilst the audit had not yet been completed the work carried out to date had concluded that the mechanisms in place to prevent management override of controls were appropriate, that sample testing of revenue and expenditure had confirmed processes were appropriate and that the assumptions and estimates used in the valuation of the Council's land, buildings and investment properties were reasonable. Audit work still to be completed

included the valuation of non-current assets, allowances for non-collection of receivables and an assessment of going concern. It was BDO's contention that whilst the audit was substantially complete they still required a number of pieces of information before the audit could be finalised.

The Auditors informed the Committee that Government changes to the regulatory requirements governing audit work had resulted in a significant increase in the scale of work required for each audit; consequently BDO would be seeking a variation in their fee to cover this increased work.

The Committee stressed that the delay in completing the audit was unacceptable particularly in view of the fact that the Committee had been assured by BDO in November that the audit would be completed by January 2021. Officers were instructed to work with BDO to establish all issues which were still outstanding and develop a timetable to expedite their resolution so that the audit would be completed.

The Committee noted BDO's stated commitment to bring an audit completion report to the Committee's next meeting in July 2021; however whilst noting the pressures on DBO's work load the Committee stressed that this ongoing delay was considered to be unacceptable.

**RESOLVED** that:

- i. The progress made by BDO to audit the Council's accounts for the 2019/20 financial year be noted
- ii. Officers to work with BDO to establish all outstanding issues and develop a timetable to expedite their resolution which would be shared with the Committee.
- iii. The Committee's concerns about the delays to the audit be raised with the Council's Chief Executive.

## **24/AS Date of Next Meeting**

It was noted that the next scheduled meeting of the Audit and Standards Committee would take place on Monday 26<sup>th</sup> July 2021 at 7pm.

Chairman

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## Annual Governance Statement

### Summary

Each year the Council is required to publish its Annual Governance Statement as part of the preparation of the financial statements and accompanying policy papers. The Statement must be signed by the Leader of the Council and the Head of Paid Service.

**Portfolio:** Corporate

**Wards Affected:** All

### Recommendation

The Audit & Standards Committee is advised to:

- i. review and comment on the draft Annual Governance Statement for 2020/21
- ii. recommend that the Annual Governance Statement be submitted to the Leader and Head of Paid Service for their signatures.

## 1. Key Issues

- 1.1 Each year the Council is required to publish its Annual Governance Statement as part of the preparation of the financial statements and accompanying policy papers. The Statement must be signed by the Leader of the Council and the Head of Paid Service. The Statement is reviewed by the Council's auditors, who will comment if in their view they feel that the Statement does not properly reflect the standard of governance demonstrated in the previous financial year.

## 2. Supporting Information

### Scope of Responsibility

- 2.1 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 and properly accounted for, and used economically, efficiently, and effectively.
- 2.2 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, which includes arrangements for the management of risk.
- 2.3 Surrey Heath Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. (A copy of the code is available on the Council's website.)
- 2.4 This statement explains how the Council has complied with the code and also meets the requirements of Part 2, 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

## The Purpose of the Governance Framework

- 2.5 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it is accountable to, engages with and leads its communities.
- 2.6 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 a reasonable 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.
- 2.7 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 and potential impact of those risks being realised, and to manage them efficiently, effectively, and economically. The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the Annual Reports on financial outturn and performance as well as the Statement of Accounts.
- 2.8 The draft Statement for 2020/21 is attached as Annex A to this report.

<b>Annexes</b>	Annual Governance Statement 2020/21
<b>Background Papers</b>	None
<b>Author/Contact Details</b>	Martin Hone, Interim Head of Finance
<b>Head of Service</b>	N/A

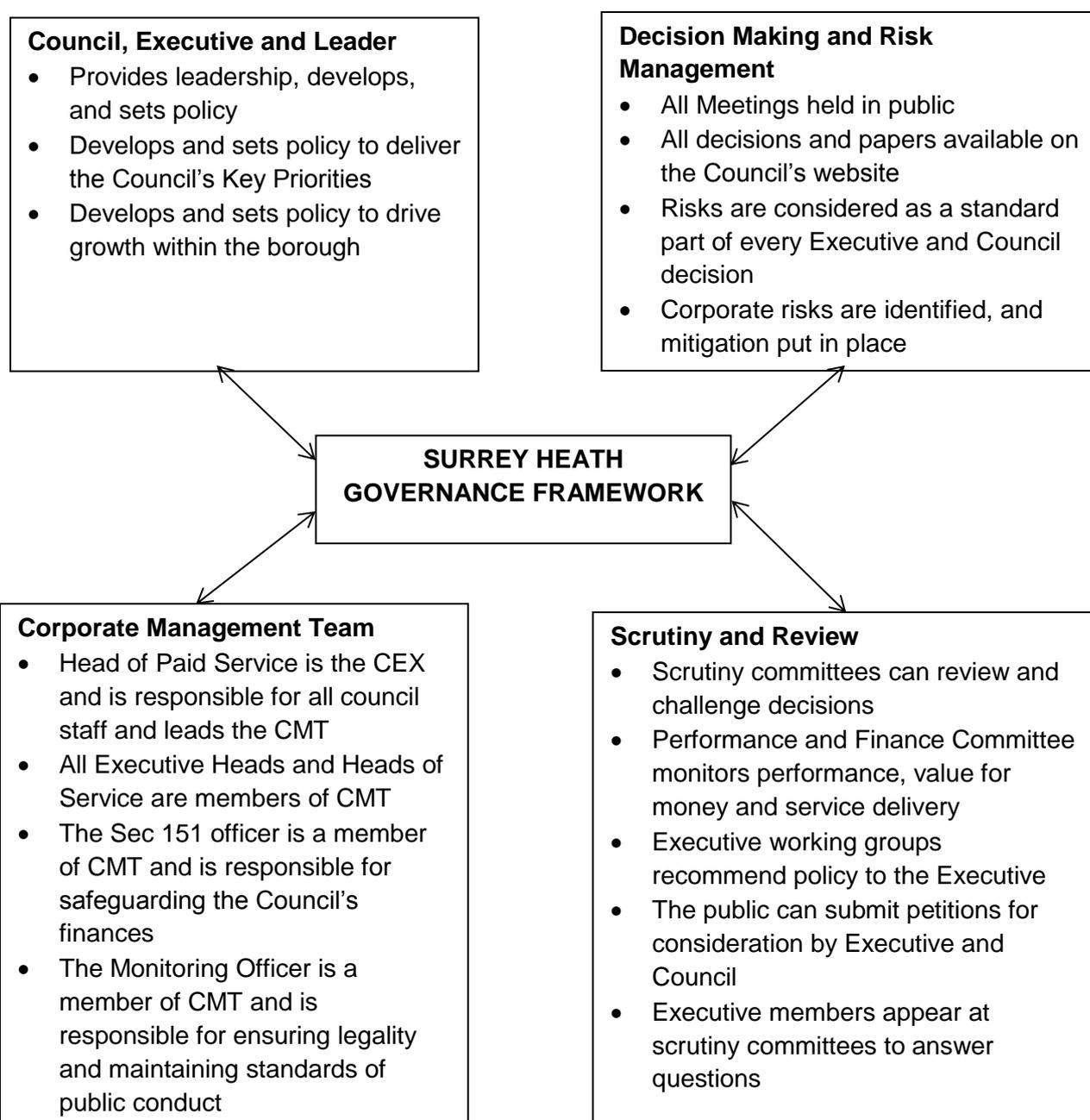
<b>Other Issues</b>			
	<b>Required</b>	<b>Consulted</b>	<b>Date</b>
Corporate Objectives & Key Priorities	Yes	<u>Yes</u>	2 June 2021
Policy Framework			
Legal			
Governance			
Sustainability			
Risk Management	<u>Yes</u>	<u>Yes</u>	22 June 2021
Equalities Impact Assessment			
Community Safety			
Human Rights			
Consultation	Yes – via CMT	Yes	22 June 2021
P R & Marketing			

## ANNUAL GOVERNANCE STATEMENT 2020/21

## INTRODUCTION

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

## KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK



## **HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK**

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

The Coronavirus pandemic has had a significant impact on both the Council's finances as well as on how it delivers its services. The Council introduced Covid safe support services to assist with the national response at government level and be able to continue to deliver existing services to residents. This has required the Council to change the way services are delivered and at the same time develop and maintain new services to support those residents affected by the pandemic.

The Council has set up a series of emergency governance measures to monitor and respond to the pandemic. In line with national Emergency Management protocol Surrey Heath established a 'gold-silver-bronze' command structure and set up new roles and responsibilities. A welfare cell was established at short notice to support health and welfare needs of its residents, including vulnerable as well as shielding residents, and at times over 80% of staff were required to be re-deployed into alternative temporary roles.

The pandemic has also had a significant effect on the timing of the review and publication of the Council's set of accounts, draft accounts were deferred to 31 August and the final accounts pushed back to the second quarter of 2021.

Set out below is how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2020/21.

### **PRINCIPLE A**

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

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

All officers and Members must also sign up to the Council's Anti- Fraud and Corruption Policy and declare any interests they may have or gifts they have received which are recorded in the Gifts and Hospitality Register. These are reviewed periodically by Internal Audit. The new Speak Up Policy (formally known as the Whistleblowing Policy) provides protection for individuals to raise concerns in confidence about unusual behaviour and ensures that any concerns raised are properly investigated. The policy is available on the Council website and forms part of the Council's induction process. A Bribery Policy has also been established and adopted. The Council has an internal corporate enforcement team which has the power to investigate any suspected fraud or corruption both internal and external with the support of the police and is able to report directly to HR/Monitoring Officer for action to be taken if required. Several Council officers are PACE trained.

All Council decisions have to consider legal implications which are included as a standard paragraph in the report being considered. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required then the Council will engage external advisers. The Section 151 and Monitoring Officers have specific

responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to members.

The Council has an internal audit team that undertakes audit reviews of the Council's main activities on a regular basis. Findings are reported to the Corporate Management Team and to the Audit and Standards Committee periodically. Audit has a direct reporting line to the Chief Executive as well as the Audit & Standards Chair on matters that may require immediate action.

An officer Equality Action Group champions equalities throughout the organisation, monitors compliance with the Equalities Policy, and reviews service level Impact Assessments. There is also a Member Equality Working Group looking at ways to engage the community.

## **PRINCIPLE B**

### **Ensuring openness and comprehensive stakeholder engagement**

All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys, and public meetings, except those determined as exempt from publication. Regulations regarding Covid 19 have enabled Councils to hold remote meetings however the Council needs to keep under review the restrictions on holding hybrid meetings and in particular any proposals to extend remote meetings beyond May 2021.

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

The Council traditionally holds two business breakfasts each year to present the work of the Council and to discuss matters of common interest to local businesses. The Council sends every household a copy of its residents' magazine, Heathscene, three times per year, which includes articles of interest affecting local residents. The Council also posts on social media channels including Twitter, Instagram, Facebook, LinkedIn, and YouTube. More specific e-bulletins and publications are created for various communities of interest, such as businesses, theatre users etc as well as for changes in services. The Council has set up a specific website called Camberley Be Inspired that provides latest news on the town centre regeneration.

## **PRINCIPLES C AND D**

### **Defining, optimising, and achieving outcomes**

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

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

To ensure that the Council continues to deliver sustainable social and environmental benefits, there is an Economic Development Plan, as well as a series of more specific strategies. These include the Health and Well Being Strategy, Housing Strategy, and the Air Quality Strategy. The Council has created a new role to help tackle climate change at a local level.

All decisions, unless delegated, are made by Executive which include reviews of options and risks by officers and Members. Key performance indicators are in place for all services, and these are reported bi- annually, together with performance against the Annual Plan, to Members for discussion and potential intervention where expected performance is not being achieved.

The Council has been through a programme of rapid technology change and significant transformation and continues to review ways of working in order to increase efficiency, reduce costs, adapt to changing legislative requirements, and simplify its IT estate. It has invested in some of the latest technology and innovation enabling services to move to cloud-based computing to support agile and mobile working. The Council has invested in a new cloud-based telephony solution now implemented for all staff. The old hardware was decommissioned in November 2019. The new system allows staff to access work calls on their personal or work mobiles. Spider (or teleconferencing) technology has also been introduced at several sites across Surrey Heath House, which enables teleconferencing meetings to be held.

The Council's ageing network switch infrastructure has been re designed improving resilience and connection speeds for staff and equipment. A number of computer applications have moved to Box and are no longer stored on the Council's server network. Acolaid has been replaced with Idox Uniform, the CRM system ~~is being~~ has been replaced with a new cloud base system, a cloud-based GIS system has been implemented and the Council's finance system Civica successfully migrated to a cloud-based system to allow users to be able to access it remotely. The HR and ICT Team have jointly implementing a cloud-based HR system to further support agile working. Elsewhere, IoT technology has been implemented at Surrey Heath House which allows legionella compliance to be tested automatically. The roll out of Intune laptops has been progressing and now over 100 Intune laptops have been deployed to staff.

## **PRINCIPLE E**

### **Developing capacity and capability**

A key element of the Council's service planning is to maximise the investment in staff through training to enhance the qualifications and skills to enable them to fulfil their roles and potentially progress within the organisation. Several staff have obtained qualifications through this route and have progressed as a result. The Council has maintained its training budget despite reductions in other areas to ensure that it can develop staff for the future and deal with shortages in key areas such as planning. Training requirements are reviewed for all staff as part of their annual appraisal which highlights areas of development required to enable them to fulfil their objectives for that year. The Council provides mandatory training for all staff where appropriate, examples include information governance training, safeguarding and emergency centre training. The Council is also a member of the Surrey Learn Partnership which offers cost effective personal skills training in areas such as management skills, communication skills and personal effectiveness on a Surrey wide basis. The Council has a full induction programme for staff and Members.

A new Councillor welcome pack was provided to all Members, as well as a quick start guide for IT guidance. An external firm of solicitors were commissioned to train Members on the Licensing Act 2003, South-East Employers provided two training sessions on Chairing Skills as well as on Effective Ward Work. Several Members also attended a South-East Employers new Councillor event with other new Councillors from other authorities in Newbury. A comprehensive training timetable was also rolled out covering sessions on equalities, cyber security, data protection and planning.

During the year, a number of staff were supported through training and experience to gain professional qualifications. This is seen as a major incentive to attract staff to the Council and enable it to address skill shortages and competencies in the future. The organisation has rolled out a new agile working policy for its staff to enable them to achieve a more positive work life balance and provides a basis for working remotely away from the office environment.

The Council works across a broad set of partnerships and collaborative arrangements and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. Under the Joint Waste Partnership Surrey Heath is the lead authority of four authorities to deliver a waste and recycling operation under a single contract. The Council has also extended its joint arrangements with other Councils in areas such as Environmental Health and Community Services.

The Covid-19 pandemic resulted in collaborative working arrangements needing to be established with some of our partners to help support the welfare work, including new arrangements with the voluntary sector such as Surrey Heath Prepared, and Age UK, as well as with the National Shielding Service and Surrey County Council to deliver a welfare response. New governance arrangements as well as data sharing protocols were established.

## **PRINCIPLE F**

### **Managing risks and performance**

The Risk Management Strategy sets out the Council's approach to identifying and controlling risk. A Corporate Risk Register is maintained which identifies the key risks the Council is facing and measured against impact and likelihood. The risk register is reviewed periodically by the Council's risk management group and is reported to CMT and to the Performance and Finance Committee at least annually.

The Corporate Risk Management group have continued to review existing as well as emerging new risks associated with the Covid-19 pandemic, especially in terms of the effects on current and medium to long term Council finances and financial planning. The main risks associated with the pandemic were identified at the onset of Covid-19 and continue to be monitored by CMT.

During 2020/21 the Council has continued to prioritise the health and safety of its workforce and the communities it serves.

The Council regularly reviews and assesses hazards within the workplace and implements control measures to mitigate risk. This is defined in law under the Management of Health and Safety at Work Regulations 1999. The measures are communicated to relevant staff.

The Council also has a written Health and Safety policy (which includes steps on how to deliver the policy) which is kept under constant review to ensure that it remains up-to-date.

As regards the management of the workplace to ensure that services were maintained during the Covid lockdown, the following additional health and safety strategies were implemented:

- Ensuring adequate ventilation to help reduce risk of spreading coronavirus in Council workplaces;
- Supporting and advising staff working from home and those required to work alone on lone without supervision. Regard was also paid to issues such as providing suitable equipment (e.g., laptops) and the management of stress arising from lone working;
- Covid security for workers was added to the Council's Risk Register;
- Guidance was issued to staff to on personal protection, visitor access to buildings, social distancing and the use of on-line technology (e.g., 'Teams' meetings);
- Increased cleaning and other hygiene measures were introduced to the workplace.

The Council is actively supporting staff in to return to their workplace as lockdown restrictions are being lifted.

Progress against the Annual Plan objectives and KPI's are reported bi-annually to Members. The Council has adopted a suite of Financial Regulations together with Contract Standing Orders, which set out expected financial and spending processes and internal controls, which are monitored on a periodic basis.

The internal audit team provide regular reports on the effective operation of these controls together with an annual assessment of the overall control environment. The Council's Information Governance Manager is responsible for overseeing the Council's compliance with UK GDPR and DPA, ensuring effective information governance, information security, information rights and records management processes are in place. The annually reviewed Data Protection Policy and Information Security Policy governs how information should be securely handled, transmitted, stored, and maintained. The Council's Data Security Breaches Policy governs the effective reporting, investigation, and management of breaches of information security. The roll out of the GDPR regulations and associated DPA has resulted in the corporate Privacy Notices being regularly updated on the Council website and new ones for different departments are being added. All staff have completed information security and GDPR training. One of the main risks to information management comes from cyber-attack.

The Council has taken out insurance policies to help manage its risk exposure and has commissioned the services of services providers at the London borough of Sutton, and commercial insurers Zurich and Allianz.

The Council recognises that it does not have the expertise internally in all matters and engages external advisors when required for example in relation to the town centre regeneration, the public realm works, and Council development projects including Ashwood House, the London Road Block and the new leisure centre.

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

The Council has purchased the town centre site in order to regenerate the Square and the London Road development site. The Council recognises that this carries a significant level of commercial and financial risk, and it has appointed professional agents and legal advisers to manage and advise on these areas so as to minimise these risks.

A corporate strategy has been developed to help manage the Council's climate change agenda and to reduce emissions. A task group has been established which is charged with a

number of actions including how the Council plans to deliver the carbon reduction target; to declare a Climate Emergency and develop actions to support businesses and all relevant bodies in their work to tackle climate change; and develop a policy for the use of renewable materials and energy across the Council's estate; agree to make Surrey Heath Borough Council and its contractors carbon neutral by 2030.

The Council's corporate enforcement team continues to manage the risks associated with unauthorised traveller sites.

Covid 19 has necessarily resulted in complex and unprecedented negotiations between the Council and tenants regarding rent deferrals and concessions. Due to the urgency, these negotiations have been accelerated and therefore potentially there may be some risk in terms of the overall benefit of the negotiated outcomes.

Covid-19 has had a significant effect on both the Council's short term cash flow and financial situation, but equally on the long-term effect on the level of resources available, together with the uncertainty over its medium-term financial planning. Council fees and charges have fallen dramatically during the lockdown particularly with the temporary closures to both the Council's car parks and the theatre, both of which form a significant source of income for the Council. The Council's property portfolio has also been affected, in terms of offering rent deferrals and tenants not being able to meet their rent due. Council investments will also be affected in terms of interest and dividends expected from money market investments.

Although relatively low value and in the process of being phased out, the Council will not be able to rely upon funding from the New Homes Bonus as property construction has been paused or suspended. The retention of business rates is likely to be affected as the impact of the recession is felt by more businesses, although this is limited to only £1.1m at which point the Council will hit the safety net.

With the ongoing reduction of in-year funding the Council has made the decision to use some of its financial reserves in the short term to help balance its budget and maintain cash flow. Reserves cannot be recovered once spent and so represents a significant risk in the long term.

The government has announced a new comprehensive package of support to help address spending pressures and to cover lost income during the pandemic, the major new support package to help councils respond to the pandemic will assist as part of a comprehensive plan to ensure the Council's financial sustainability for the future. The new scheme will reimburse the Council for lost income and allow council and council tax and business rates tax deficits to be repaid over 3 years instead of one. Where losses are more than 5% of planned income from sales, and fees and charges, the government will cover them for 75p in every pound lost. In the next Spending Review the government will agree an apportionment of irrecoverable council tax and business rates losses between central and local government for 2020 to 2021.

The government has also announced financial support for small businesses, retail, hospitality, and leisure sectors. The Council is receiving support in the form of three grant funding schemes- the Small Businesses Grant Fund, Retail, Hospitality and Leisure Grant Fund and Discretionary Fund Grant. Grant applications have undergone a verification process to ensure they are genuine and valid.

Covid-19 will also have a significant impact on the Council's capital programme. A number of build projects have been delayed or put on hold due to the pandemic, and new timeframes have been developed.

The Covid-19 pandemic has also resulted in a rise of unforeseen and unbudgeted Council expenditure on items such as health and safety equipment, e.g., PPE, office screens and signage, in addition to extra spend on office cleaning, cleaning products and hand sanitizers, to protect both the workforce and visitors to the Council.

The Joint Waste Service has also introduced a variety of service adjustments in response to the pandemic and these have been communicated to staff and to service users.

## **PRINCIPLE G**

### **Implementing good practices in transparency, reporting, and accountability**

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

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

The Local Government Transparency Code 2015 requires local authorities in England to publish information related to spend including expenditure over £500, government procurement card information and senior salaries. Surrey Heath is committed to providing residents with information that explains how we spend their money. The Government has set down guidelines as to the format of this information to enable residents to compare the performance of one authority against another.

Surrey Heath, as a public body, is also covered by the Freedom of Information Act. This Act gives a general right of access to all types of recorded information held.

## **REVIEW OF EFFECTIVENESS**

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

### **Assurance from Internal and External Audit**

The Council receives assurance each year in the form of the annual report from Internal Audit and the opinion of the Section 151 Officer. This is discussed at CMT level and presented to committee each July.

The internal team successfully delivered a number of internal audits from the annual plan in 2020/21. Sixteen individual audits were completed, and action plans were agreed with managers to mitigate risks and improve overall controls. Completed audits included the key finance audits conducted annually such as debtors, creditors, and treasury management. Internal audit also carried out reviews on Council grants, ICT, payroll, and HR. A Joint Waste audit was completed on behalf of the 4 partnering authorities of Woking, Elmbridge, Mole Valley and SHBC. Due to the start of the pandemic in March 2020, a couple of the audits were only finalised, and action plans agreed at the start of the new financial year. It was generally found that controls and procedures were in place and working well for the most part and as a result Internal audit did not issue any 'nil' or 'limited assurance' reports for 20/21.

An annual report was presented to Members at the A&S committee in July 2020 where it was reported that the internal auditors' opinion for 2020/21 was that the Council's internal control environment and systems of internal control in the areas audited were adequate and effective.

<b>Selected audit recommendations reported in 2020/21</b>	<b>Agreed action</b>
<p>Joint Waste Audit:</p> <p>Delays were reported to the settlement and paying of the variable invoices for each of the waste partners, from Nov 2020.</p>	<p>JWS will continue to work with Amey to resolve the backlog of variable invoices to the point of settlement as soon as possible. To minimise this happening in the future Amey are investing in a new cloud-based IT platform in the second half of 2021, as well as reviewing their contingency plans for information management and data protection.</p>
<p>Joint Waste Audit:</p> <p>A mechanism should be introduced by JWS that allows income collected to be compared against garden waste charges that are billed by Amey as per the contract.</p>	<p>Audit agreed with JWS that the mechanism in place is clarified and made easier to understand as the garden waste process continues to evolve.</p>
<p>HR Audit:</p> <p>Several issues were identified with the process of employing consultants for the Council for short term placements, such as employing consultants through Umbrella companies, deciding how it intends to address HMRC assessments that are unable to make a determination as to whether off payroll rules apply or not to a particular engagement, and establishing a mechanism to identify all consultant engagements that may require an IR35 assessment.</p>	<p>The issues were acknowledged, and arrangements are to be set in place to manage manage the consultant process better including the formalisation of IR35 processes by 30 Sept 2021</p>

The Council's External Auditor BDO provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of securing and improving value for money. Draft accounts were submitted for audit by the deadline of 31 August 2020 but the final sign-off by BDO is not now expected until July 2021.

### **Self-assessment and review of key outcome indicators**

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

The key outcome indicators below have been used to assess the quality of governance arrangements in 2020/21:

<b>Issues Identified</b>	<b>Performance for 2020/21</b>
Formal reports by sec 151 or Monitoring officer	There were no formal reports issued by either the S151 or the Monitoring officer.
Outcomes from Standards Committee of Monitoring Officer investigations	There were no outcomes to report.
Proven Frauds carried out by members or officers	There were no frauds to report.
Objections received from local electors	None Received
Local Government Ombudsman referrals upheld exceed national average	There were no such referrals during the year.
Unsatisfactory/limited internal audit reports	There were no such reports during the year.

### **Follow up of issues identified in the previous financial year 2019/20**

The 2019/20 Annual Governance Statement highlighted 5 areas for improvement. The table below sets out the action has been taken to address these issues in the current year:

<b>Issues identified for 2019/20</b>	<b>Action Taken</b>
Brexit Arrangements	Participation in Surrey wide Brexit update. Advice from Council's advisors including Applied Resilience, and treasury/finance Arling Close.
London Road Development	Work is continuing to acquire properties within the LRB, and to make arrangements for developing the site.
IT and Business Continuity	The Council has been through a programme of rapid technology change and significant transformation and continues to review ways of working to increase efficiency, reduce costs, adapt to changing legislative requirements, and simplify its IT estate. The Council's business continuity arrangements have been adapted to address Covid-19 implications.
Provision of new Leisure Centre	The previous leisure centre has been demolished and a new centre, Places Leisure has been constructed, which is due to open to the public in July 2021.
Joint Waste	JWS continue to work with the service provider to deliver the joint waste service in line with the contract.

### **Any issues identified for 2020/21**

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

<b>Issues identified for 2020/21</b>	<b>Action to be Taken</b>
Organisational restructure	Following the recruitment of a new Chief Executive early in 2021 a senior restructure is planned for 2021, together with a re alignment and apportionment of services.
London Road Development	Council should continue to work with its professional advisors, eg. planners and architects to develop the LRB.
Property Portfolio and Valuations	Council needs to continue to manage its property portfolio and new acquisitions to ensure income is maximised and new income streams are identified and generated. The Council has begun to on shore the Jersey Property Unit Trust.
Joint Waste Contract	Council needs to continue to work with the service provider to deliver the joint waste service in line with the contract. Delays in settlement of the variable invoices need to be addressed.
Response to the Covid-19 pandemic	New policies and processes introduced. Setting up emergency procedures including gold command chain. Additional spend on health and safety, cleaning contract. Re deployment of staff to work on the national emergency response and the welfare cell. Clinically Extremely Vulnerable and Shielding residents telephoned on weekly basis. Hundreds of food parcels delivered to the borough's most vulnerable, and prescriptions collected and delivered. Close monitoring of Council lost income. Small business grant processing and payments. Increased remote working, increased use of virtual communication platforms such as Microsoft Teams. Remote council meetings with Members.
Issues with the delivery of the Capital Programme	The Council experienced some delays on capital schemes as a result of the pandemic. In addition, one scheme was delayed due to unforeseen and unbudgeted issues. The cost overspends and delays to delivery were the subject of a report to the Executive and measures are being put into place to ensure improved management of the capital programme (e.g., a monthly meeting for all officers that are managing capital schemes to monitor delivery against timeline, budget and agreed specification). A monthly report

	on progress against the capital programme will be considered by the Corporate Management Team and a quarterly report will be reviewed by the Performance & Finance Scrutiny Committee.
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## **CONCLUSION**

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements. The significant changes as a result of the Covid-19 pandemic, in particular to the Council's funding and income receipts and use of reserves will need to continue to be monitored, especially if there are any further waves or local lock downs.

Damian Roberts  
Chief Executive

Cllr Alan McClafferty  
Leader

## Annual Review of the Effectiveness of the System of Internal Audit

### Summary

To provide an annual review of the effectiveness of the system of internal audit for 2020-21 as required by the Accounts and Audit Regulations 2006, amended 2011.

**Portfolio:** Finance

**Wards Affected:** N/A

### Recommendation

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

#### 1. Key Issues

- 1.1 The Accounts and Audit Regulations requires local authorities to conduct an annual review of the effectiveness of the internal audit function.

#### 2. Resource Implications

- 2.1 There are no resource implications arising from this report

#### 3. Options

- 3.1 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 as well as governance arrangements.

#### 4. Supporting Information

##### Introduction

- 4.1 An effective and productive Internal Audit function enables public bodies including local authorities to fulfil their duty to be accountable and transparent to the public, while achieving their objectives effectively, efficiently, economically, ethically as well as environmentally.
- 4.2 The governing body for Internal Audit within the UK, the Chartered Institute of Internal Auditors (CIIA), has identified nine key elements to establish an effective public sector audit function namely: organisational independence, a formal mandate, unrestricted access, sufficient funding, competent leadership, objective staff, competent staff, stakeholder support, professional audit standards. These standards have not changed since the last report and remain in place.
- 4.3 This report examines the extent to which these nine elements have been met by Internal Audit at Surrey Heath Borough Council for the period April 2020 to March 2021.

### Organisational Independence

*Internal Audit should have sufficient independence from those it is required to audit so that it can both conduct and be perceived to conduct its work without interference. Being independent contributes to the accuracy of audit work and the ability to rely on reports results.*

- 4.4 For the last financial year Internal Audit is confident that it has operated independently from management. IA does not have direct operational responsibility for day to day business matters, but instead advises managers of their operational as well as tactical responsibilities.
- 4.5 Internal Audit has been set up so that it reports directly into the Executive Head of Transformation, but indirectly into the Audit & Standards chair, as well as the Council's Section 151 officer. In addition Internal Audit has a direct reporting line to the Chief Executive and CMT when matters need to be escalated. The Senior Auditor has direct access to discuss matters arising with the external auditors as and when necessary.

### Adoption of a Formal Mandate

*Internal Audit's powers and duties should be established by a formal mandate or other legal document.*

- 4.6 An effective internal audit function is required by statute as it is set down in the Local Government Act. Audit has adopted an Audit Charter, which is available to staff and is published on the Council's intranet. The Audit Charter covers aspects such as scope of the audit function, rights of access, reporting arrangements, and work prioritisation. The Mandate is currently undergoing its review.

### Unrestricted Access

*Audits should be conducted with complete and unrestricted access to staff, property, and records as appropriate for the performance of the audit activities.*

- 4.7 The IA Charter sets out the rights of the IA function and how it is able to operate as well as its boundaries of jurisdiction. In addition rights of access are provided for within larger contracts with external service providers. Examples include the current joint waste contract and the grounds maintenance contract.

### Sufficient Funding

*Internal Audit should have sufficient funding relative to the size of its audit responsibilities.*

- 4.8 The budget for Surrey Heath's Internal Audit function is agreed each year at CMT. Internal audit is part of the Transformation service and is allocated funding proportionately. Current funding is appropriate to the level of the activity and the size of the organisation.
- 4.9 The audit budget has remained at a similar level for the last few years and no additional staff posts have been added to the service. There are no constraints on the overall budget however which is flexible so there would be scope to allow for additional funding to the audit service if required and agreed by management.

### Competent Leadership

*Internal Audit management should be able to effectively demonstrate a good working knowledge of audit standards, be professionally qualified, and be competent to oversee and manage an audit activity.*

- 4.10 The Council benefits from IA officers with many years local government experience. The Senior Auditor is a Chartered member of the governing body for audit, the Institute of Internal Audit and the secondary officer is part qualified.
- 4.11 The Senior Auditor has in practice whilst been acting as “lead officer” for audit for a number of years, in the absence of any qualified audit manager, and represents the audit function at CMT level as well as at Audit & Standards committee.

### Objectivity

*Audit staff must have impartial attitudes and avoid any conflict of interest. Such a conflict can create an appearance of impropriety that can undermine confidence in the internal auditor, the audit activity, and the profession.*

- 4.12 The objectivity of Internal Audit’s officers is an integral element of delivering an effective audit service on behalf of the Council. Internal Audit works towards meeting the IIA’s Code of Ethics at all times. Internal Audit is viewed as being free of any conflicts of interest within the Council, and has signed up to the CIIAs declaration of interests. Audit staff has also signed a confidentiality agreement with HR to ensure staff records accessed are held secure.
- 4.13 At all times audit aims to report its key findings objectively, impartially and taking a balanced view wherever possible whilst being sensitive to the needs of the business and its stakeholders CMT, Councillors as well as the local residents.

### Competent Staff

*Internal Audit needs professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors should comply with minimum continuing educational requirements established by the IIA/CIPFA and standards.*

- 4.14 The Internal Audit team continues to demonstrate that it is meeting the most important characteristics when considering the competence level within the team. The Senior Auditor holds an audit professional certification, being a Certified Internal Auditor. In terms of IIA membership, all auditors at the Council are members of the CIIA. All auditors have worked in the public sector for many years. The Internal Audit team can also demonstrate holding the top 5 behavioural skills as identified by the IIA, namely confidentiality, objectivity, communication skills, judgement, and working independently.

### Stakeholder Support

*The work of Internal Audit should be endorsed and supported fully by senior officers and Members within the Council. Internal Audit should also be supported by external contractors whom deliver services on behalf of the Council.*

- 4.15 The work of audit is supported by the Chief Executive, the Section 151 Officer, members of CMT as well as the Audit Committee. The Council is committed to promoting the work that Internal Audit helps to deliver. External audit where required placed reliance on the work of Surrey Heath’s internal audit in 2020/21 as part of their annual audit of the Council’s financial statements.

Professional Audit Standards

- 4.16 The Internal Audit team works towards the international set of Standards known as the Public Sector Internal Audit Standards. Internal Audit also delivers its audits in accordance with the International Professional Practices Framework (IPPF). The Standards provide a framework to promote quality audit work that is systematic, objective and based on evidence. The Public Sector Standards include elements such as objectivity, independence, reporting, and quality assurance. The work of Internal Audit can be measured against these Standards.

**IMPROVEMENTS FOR INTERNAL AUDIT IN 2020/21**

- 4.17 The 2019/20 effectiveness report set out a number of recommendations that required addressing in year. The table below sets out how these recommendations have been addressed.

Table 1: Improvements to system of internal audit implemented in 2020/21:

<b>Areas for Improvement identified in the 2019/20 effectiveness report</b>	<b>Improvements implemented in financial year 2020-21</b>
<u>Joint Waste</u>	A full audit of JWS and the joint waste contract was carried out on behalf of the waste partners. The report was agreed by both JWS as well as the Partnership Board. Contract discussions have continued throughout the year between JWS and Amey.
<u>Organisational re structure</u>	The senior management re structure did not take place in 20/21 but started in 21/22 with the recruitment of the new Chief Executive and any consequences from this will be incorporated into future audits. The proposal to move audit from Transformation to legal/democratic services should help to strengthen the audit function within the organisation.
<u>Investment &amp; Development</u>	An audit of investment and development was carried over and finished in 20/21. It covered property matters such as leases and licenses, as well as governance arrangements over the procurement process of new acquisitions.

## CHALLENGES FOR 2021-22

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

### Auditing with an Agile or Hybrid Workforce

- 4.19 The increase of staff working remotely and from home brings with it its own set of challenges for internal audit. Access to paper documents may not be easily available and audit meetings need to be done virtually via different platforms.

### Staff Capacity

- 4.20 The capacity of officers and senior managers to assist internal audit may affect the timing and delivery of internal audits going forward. Senior officers are having to balance an increase in workload with restricted teams.

### Covid-19 pandemic issues

- 4.21 There are a number of operational matters that continue to be affected by the pandemic. These include working in accordance with the latest government guidelines and rules, maintaining social distancing, staff and contractors working away from the office/council sites, and keeping access to a minimum. There could be reduced staff due to illness, and self-isolation.

## CONCLUSION

- 4.22 This review demonstrates that the Council has continued to operate an effective system of internal audit throughout 2020/21, with an internal audit function that is compliant with the requirements of the Public Sector Internal Audit Standards.
- 4.23 The audit team will need to be flexible under the current covid 19 rules, and will need to adjust its working practices to fit in with agile working.

<b>Annexes</b>	None
<b>Background Papers</b>	None
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<b>Head of Service</b>	Louise Livingston, Executive Head: Transformation

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## Internal Audit Annual Report

### Summary

To provide an annual review of Internal Audit for the financial year 2020-21 and an opinion from the Executive Head Finance on the adequacy of the Council's systems of internal control

**Portfolio:** Finance

**Wards Affected:** N/A

### Recommendation

The Audit and Standards Committee is asked to note the 2020-21 annual Audit Report.

## 1. Key Issues

- 1.1 The Public Sector Internal Audit Standards require local authorities to report on the work of internal audit on an annual basis. Section 151 officers should also provide a written report to those charged with governance. The aims of the report are to:
- 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; and
  - 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 arising.
- 1.2 This audit report compliments some of the findings reported in the Annual Governance Statement for 20/21.

## 2. Resource Implications

- 2.1 There are no resource implications arising from this report

## 3. Supporting Information

### Annual Review of Internal Audit Work for 2020/21

- 3.1 The Internal Audit work programme is directed by the 3-year Audit Strategy as well as the annual Audit Plan. The annual Plan is agreed at Member level annually.
- 3.2 For the period 2020-21 a total of 17 internal audits were completed from the Audit Plan. In addition a number of ad hoc pieces of work were undertaken, the details of which can be found in the annexes appended to this report. Weaknesses in control and areas for improvement are reported to management through internal audit

reports. Areas for improvement are identified through audit recommendations ranging from best practice (lowest category) to essential (highest category).

- 3.3 Audit has also been involved in numerous other Council activities during the year including participating in a number of corporate officer working groups including the equalities action group, the risk management group, as well as the Elections officer project group. Audit has also been active in helping to develop the team’s business continuity and emergency plans as well as co ordinating and supervising the authorised signatories process, and reviewing compliance over contract standing orders, and the Council’s financial regulations.
- 3.4 It should be noted that the Audit work programme was heavily impacted by the Covid-19 pandemic with a result that all the audit team were re deployed in Quarter 1 2020/21 to help with the pandemic response and the welfare work.
- 3.5 The internal audit team operates 4 levels of audit assurance for its internal audit reports, as below:

Level of assurance	Definition
<b>FULL(green)</b>	Controls are strong and being fully complied with, service is continually developing and offering added value, business objectives are being met and exceeded
<b>SUBSTANTIAL(green)</b>	There is basically a sound system of control, but some minor areas of weakness have been identified, which may put some of the systems objectives at risk
<b>LIMITED (amber)</b>	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
<b>NIL (red)</b>	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

- 3.6 In practice the vast majority of audits score either substantial or limited assurance, as full assurance would only be offered where the entire population is tested rather than just a sample, and audits scoring nil assurance would need to demonstrate little or no checks and balances in place or nil compliance and typically this would normally be addressed at management and CMT level before any audit is undertaken.
- 3.7 Audit recommendations are given one of three categories namely essential, desirable, or best practice.

**Essential** – 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** – 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** – industry best practice suggestions; help to improve overall control and efficiency; assist management deliver services; medium to long term implementation

3.8 In total 86 audit recommendations were raised in 2020-21:

- 16 essential
- 70 desirable
- 0 best practice

### **Resources and staffing**

3.9 There were a total of 430 working days in the budget available to the audit team for 20/21. Obviously a number of these days were taken to assist with the welfare work and helping the vulnerable residents of the borough, most of Quarter 1.

### **Overall Opinion of the Executive Head Finance**

3.10 The overall opinion of the Section 151 Officer is that the Council’s internal control framework is adequate and effective and is being managed with due care and attention. The audit coverage is proportionate to the risk environment of the Council and the audit resources available.

### **Compliance with the Public Sector Internal Audit Standards**

3.11 CIPFA’s Code of Practice has been replaced by the Public Sector Internal Audit Standards and these Standards should be adopted by all local authorities. The work of the Council’s internal audit team continues to demonstrate compliance with these Standards.

<b>Annexes</b>	Annex A: Detail of Internal Audit Work during 2020-21 Annex B: Other Audit Work
<b>Background Papers</b>	None
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<b>Head of Service</b>	Louise Livingston, Executive Head: Transformation

**DETAIL OF INTERNAL AUDIT WORK FOR THE YEAR 2020-21**

Details of the work programme completed by Internal Audit covering the financial year 2020-21 are set out below:

- Re Deployment to assist the national welfare effort
- Key finance audits
- Other audits
- Other audit work

**RE DEPLOYMENT TO ASSIST THE NATIONAL WELFARE EFFORT AND THE IMPACT OF COVID-19**

The Internal Audit team were temporarily reallocated with other Council staff at the start of 20/21 to assist with the Council's emergency response to the national Covid -19 pandemic and the associated major incident declared across the Surrey area. This had an impact on the delivery of the 20/21 audit plan.

- Both auditors worked in the welfare cell based in the Contact Centre, from April to the end of June. For the audit team this ranged from 2 days to 4 days per week in total.
- The Senior Auditor participated in calling the borough's shielding or vulnerable residents. Calls were made daily from April until July 2020, and in total several hundred calls were made. All calls were logged and residents requiring either food parcels or medicine were assisted.
- Calls to shielding residents were also made following the second wave of shielding starting November to December, averaging 10-20 calls per day.
- Both activities required some week end working during the busiest periods.

**KEY FINANCE AUDITS**

A number of finance audits are carried out annually which the Council's external auditors may wish to place reliance on when they are conducting the end of year audit of the authority's financial statements. In completing the work programme for the year both the external auditors and Internal Audit will be minded of both the adequacy of the Council's financial systems and the adequacy of the arrangements for preventing and detecting fraud and corruption. A number of recommendations were raised in respect of the finance audits and the majority of these have been actioned by managers.

**Cash & Bank**

A number of Council functions were closed for part of 20/21 due to Covid -19 such as the theatre, the cash office(post room) and the Council car parks. As a result the amount of cash and income transactions were reduced. That being said we did audit the post room processes and procedures when they were re-opened, cash receipts from building control, planning and council tax, the cash collection arrangements with the cash security firm, as well as banking and bank reconciliations. The audit also reviewed the corporate credit card operation and transactions in detail, and looked at staff who have been given either a Barclaycard or Natwest credit card to make Council purchases. In total 7 recommendations were made to improve controls over the use of cards, and all of these have since been implemented.

## **Debtors and Income**

The annual debtors audit examined the process of raising sundry debts and to ensure that debts are raised accurately and on a timely basis, but also that the debt recovery process is effective ensuring debts are chased promptly. The 2020/21 audit focused on whether debts are raised accurately and on time, the adequacy of the debt recovery process and that debts are chased promptly, whether debts are written off correctly and only when it is valid to do so, whether debts are cancelled correctly upon receipt of valid Credit Notes, and the reconciliation processes between Accounts Receivable and the General Ledger and Adelante (cash receipting system). Three audit recommendations were made to tighten up on processes and controls and these have been actioned. These included recovery of sundry debts controls and write offs.

## **Creditors and Expenditure**

As in the previous year the 20/21 audit focused on a number of key financial control processes including the payment run process, including checks on prepayment, post payment, and BACS file reports, and appropriate sign offs, exception reports run from Civica, e.g. payments over £20k and new suppliers and what action is being taken on these, creditor invoices paid through the Civica system were also examined. The audit also covered controls over changes to supplier bank accounts as well as access to the finance system, as weaknesses in control here could be indicators of bank mandate fraud. In total 2 recommendations were raised relating to reviewing and approving journals and these have been dealt with.

## **Revenues**

The audit team reviewed arrangements for processing refunds for business rates and council tax accounts, whether revenues system data is checked/reconciled back to Valuation Office records/cash feeder systems. The review also covered how exemptions or discounts are applied and approved, and whether they are backed up by supporting records/paperwork. The audit came up with one recommendation relating to controls operating over refunds which has now been actioned. Business rates grants paid out due to Covid were examined under the Grants audit.

## **Housing Benefits**

The audit team focused this year on the reconciliation processes undertaken and checked whether benefit overpayments are being identified, re calculated and recovered effectively. There were no recommendations.

## **Treasury Management**

This audit aimed to provide assurance over Council money market investments and ensuring the authority is getting a reasonable level of return on its treasury investments, taking into account yield, security, and risk. As in previous years the 2020/21 audit focused on the treasury strategy, Council investment performance monitoring, access to Bankline and other financial records, separation of duties, Prudential borrowing to meet investments and new acquisitions, as well as Treasury information provided by the Council's treasury advisers. It is noted that the rate of return from Council investments has dropped greatly in the last few years due to the markets. In total 2 audit recommendations were raised and these have been actioned.

## **Capital**

The annual audit for capital followed a similar process to previous years. Checks were carried out to ensure Council assets are valued correctly, and assets are accounted for correctly on the ledger, Council assets are adjusted to reflect changes in market conditions and Council assets are recorded/logged and are verified on a periodic basis. The 20/21 audit also reviewed the current insurance processes in place between the Council and its insurance partners. Four recommendations were made in total highlighting the need to maintain accurate and up to date service inventories as well as keeping insurance processes and the all risks spreadsheet up to date. These have been actioned.

## **Main Accounting**

The annual main accounting audit aimed to provide assurance to management that the Council's financial system and associated feeder systems are working correctly, and are being adequately controlled, and to ensure the accuracy and timeliness of the preparation of the Council's financial statements and set of accounts. The audit examined access to Civica and making sure changes made to system data are with appropriate approval, journal entries are created accurately and postings are correct, accounting for year end/period 12 journals are dealt with efficiently. The review also tested the corporate budget monitoring process as well as accruals processed at year end. One recommendation was made and this has now been dealt with.

## **OTHER AUDITS**

### **Joint Waste**

The audit examined the joint waste contract held with Amey and managed by Joint Waste Solutions (JWS) on behalf of the 4 authorities, Surrey Heath, Woking, Mole Valley and Elmbridge. Discussions are being held for the audit to be undertaken by one of the other partners in 21/22.

A number of key elements were examined as part of the 20/21 audit: core and variable expenditure and settlement of invoices, garden waste scheme and associated income and expenditure, Covid 19 agency staff costs, budget monitoring, contract administration and the operation of the committee and Partnership Board, and reporting to Members. In total 10 audit recommendations were raised and an action plan has been arranged with JWS to implement these by the autumn of 2021. The report was also presented to the Joint Waste Partnership Board where it was well received. Recommendations for improvements related to improvements to the IAA, providing further checks to Covid 19 agency costs, checking backing up data for the garden waste scheme, and settling invoices.

### **Payroll**

An annual review of the main payroll processes were undertaken. The audit examined some of the processes for the transfer across to the new HR and payroll system iTrent from April 2021. The audit also focused on the management of new starters and leavers, as well as amendments to pay. Overtime claims and staff paid by timesheet were also examined in detail, including overtime claims processed due to Covid and weekend working. In all 2 recommendations were made and these controls have now been incorporated into the new HR system and are working.

## **Grants**

The focus of the audit examined whether external grants awarded to the Council are applied for correctly, suitably authorised, are spent and used within the constraints of the conditions of each grant, and adequate records are retained by services. The audit also considered the extent to which grants paid to local business and charities by the Council are applied for correctly, suitably authorised, are spent and used within the terms and conditions of each grant, and adequate records are kept by services. Five areas were selected for review: environmental health, finance, business, community safety and economic development. Five recommendations were made to tighten internal controls especially in relation to maintaining records of how each grant has been spent, as well as ensuring organisations monitor actions taken and an action plan has been agreed in Feb 2021 to implement these.

## **HR**

The audit examined all new policies and procedures released by HR in 20/21 and provided comments as necessary. Internal Audit also carried out the latest biannual review of the Section 11 safeguarding audit and report back to the Surrey Safeguarding Children Partnership, on the instruction of the CMT. Following the completion of the Section 11 Audit, we worked with the HR team to develop an Action Plan to address areas for improvement. The audit also reviewed the arrangements in place for identifying and assessing contractors in respect of the intermediaries legislation (commonly known as IR35 or off-payroll working) and to review the mechanisms in place for monitoring and recording IR35 assessments, establish whether the latest rules under the intermediaries legislation applying to the public sector from April 2020, including the completion of status determination statements, and worker IR35 certificates are being followed. In total 10 recommendations were put forward to improve operations and internal processes (due Sept 21). These include ensuring IR35 records are being maintained and kept up to date in case of challenge, as well as ensuring that the actions relating to HR for the safeguarding work are fully implemented on time.

## **Parking**

Parking activities were restricted in 20/21 due to the pandemic, and car parks didn't charge for several months. This was reflected in the amount of testing carried out for the audit. The audit focused on those activities under the responsibility of SHBC i.e. Off street activities including permits and car parks. It did not cover activities now managed by Woking on behalf of SCC i.e.. on street activities. No recommendations have been raised to date.

## **Property**

The property audit covered the end of 19/20 and Quarter 1 of 20/21. The review covered the work of corporate property and investment and development. The audit focused on the due diligence work and safeguards in place when new assets are being purchased. The audit also examined the asset management plan, the work of what used to be called the Land & Property Board, the planned preventative maintenance programme as well as condition surveys undertaken. The report was issued July 2020, and 22 recommendations were raised relating to ensuring conditions surveys are undertaken, the acquisition policy be reviewed and brought up to date, and controls operating over the then L&P Board.

## **Camberley Theatre**

A review of the Council's theatre service was started in 19/20, and finished off in 20/21 due to Covid-19. As the theatre was closed throughout much of 2021 due to Covid there was little income and controls to check in year. The audit covered the following key risks, financial monitoring , income received, petty cash and banking, cash handling and cashing

up, venue hire, booking process and hire income. Audit also examined professional show contracts, ticket sales and show settlements with performers and agents. Eight recommendations were agreed and an action plan set up with the Venue Manager. Most of these related to controls operating over venue hire and bookings and improvements have been made such as steps being taken to make sure T&Cs are followed with hires, and the correct rates charged.

## **ICT**

In all the audit reviewed the controls and functions operating over the Box cloud content platform, the development and roll out of the Council's digital portfolio. The safeguards in place to manage computer equipment and assets such as laptops were also examined in some detail, especially with a view to more agile working and working from home. Nine recommendations were raised and all of these have been implemented.

## **Business Continuity & Emergency Planning**

Internal Audit updated the business continuity service level plans for the entire service - for audit, fraud and enforcement, with the aims of identifying key equipment, loss or denial of access to Council offices, key staff and making sure we have contacted our key suppliers. IA was also involved with a review of the loss of staff document which focuses on addressing staff absences as a result of the pandemic, as well as staff re deployment to help with the covid 19 response. The audit is planned for completion by the summer of 2021.

**OTHER AUDIT WORK**

- Elections - IA participated in the Elections Project team and contributed to a number of activities in the run up to the Elections of May 2021. These included reviewing and updating the project plan and risk register, as well as the Covid risk register, and assisting and challenging election processes and procedures by the team.
- Census 2021 – As Assistant Census Liaison Manager audit was responsible for day to day liaison and work preparing for Census for the ONS. This included helping to develop an address index to ensure the fullest coverage, providing local information to identify and target local challenges, identifying and sharing local community contacts, providing practical support for the field operation, supporting local publicity and media relations activity, and providing local data to support quality assurance. Fortnightly meetings were held with our Census Engagement Manager where information was exchanged and updates received. As ACLM there were also a number of Census workshops attended to ensure the Council was helping to maximise turnout and ensuring engagement with the local community and hard to reach groups.
- National Fraud Initiative (NFI) – a national exercise and database set up by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Audit was appointed Key Contact for this activity, and tasks include co ordinating the exercise for the Council, working with the NFI to deliver data matches, and setting up and deleting users.
- Corporate risk management group – IA has participated in this group in 20/21, and has contributed to reviewing the corporate risks and the risk register, and providing risk updates that relate to the audit function.
- Equalities and diversity action group – again IA has participated in this group in 20/21, by reviewing and critiquing equality impact assessments such as the parking policy, and various HR policies
- Monitoring Financial Regulations – part of the audit role is to monitor and report on Financial regulations compliance, and reporting of breaches of non compliance where necessary
- Scheme of Delegation and authorised signatory processes – the powers of certain officers to sign for financial transactions is managed and monitored by IA. New users are set up by audit, and leavers are deleted. Audit also reviews current levels and makes amendments if required. Audit also monitors compliance throughout the year and reports breaches if necessary.

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