



TO THE CHAIRMAN AND MEMBERS OF THE STANDARDS AND AUDIT COMMITTEE

You are hereby summoned to attend a meeting of the Standards and Audit Committee to be held on Thursday, 4 March 2021 at 7.00 pm. The meeting will be held virtually and webcast live through the Council's website in accordance with the Coronavirus Act 2020 and The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (S.I.2020 No. 392).

The agenda for the meeting is set out below.

RAY MORGAN
Chief Executive

NOTE: Filming Council Meetings

Please note the meeting will be filmed and will be broadcast live and subsequently as an archive on the Council's website (www.woking.gov.uk). The images and sound recording will also be used for training purposes within the Council. By joining the meeting remotely you are consenting to being filmed.

AGENDA

PART I - PRESS AND PUBLIC PRESENT

1. Minutes

To approve the minutes of the meeting of the Standards and Audit Committee held on 26 November 2020 as published.

2. Apologies for Absence

To receive any apologies for absence.

3. Declarations of Interest (Pages 5 - 6)

- (i) To receive declarations of interest from Members and Officers in respect of any item to be considered at the meeting.
- (ii) In accordance with the Officer Employment Procedure Rules, the Director of Legal and Democratic Services, Peter Bryant, declares a disclosable personal interest (non-pecuniary) interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Bryant may advise the Committee on those items.
- (iii) In accordance with the Officer Employment Procedure Rules, the Director of Finance, Leigh Clarke, declares a disclosable personal interest (non-pecuniary) interest in any

items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mrs Clarke may advise the Committee on those items.

4. Urgent Business

To consider any business that the Chairman rules may be dealt with under Section 100B(4) of the Local Government Act 1972.

Matters for Recommendation

5. Members' Code of Conduct (Pages 7 - 38)

Reporting Person – Peter Bryant

Matters for Determination

6. Annual Audit Letter 2018/19 (Pages 39 - 52)

Reporting Persons – Leigh Clarke, Leigh Lloyd-Thomas (BDO) and Steve Bladen (BDO)

7. External Audit Plan – report to follow

Reporting Person – Leigh Clarke, Leigh Lloyd-Thomas (BDO) and Steve Bladen (BDO)

8. Internal Audit Strategy and Proposed 2021/22 Plan (Pages 53 - 62)

Reporting Person – Graeme Clarke and Juan Fosco

9. Internal Audit Progress Report (Pages 63 - 74)

Reporting Person – Graeme Clarke and Juan Fosco

AGENDA ENDS

Date Published - 24 February 2021

For further information regarding this agenda and arrangements for the meeting, please contact Doug Davern on 01483 743018 or email doug.davern@woking.gov.uk



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Schedule Referred to in Declaration of Interests

Council-appointed directorships

Peter Bryant, Director of Legal and Democratic Services

Thameswey Limited
Thameswey Developments Limited
Thameswey Housing Limited
Thameswey Energy Limited
Thameswey Central Milton Keynes Limited
Thameswey Guest Houses Limited
Thameswey Solar Limited
Thameswey Maintenance Services Limited
Thameswey Sustainable Communities Limited
Energy Centre for Sustainable Communities Limited
Rutland (Woking) Limited (alternate for Ray Morgan)
Rutland Woking (Carthouse Lane) Limited (alternate for Ray Morgan)
Woking Necropolis and Mausoleum Limited
Brookwood Cemetery Limited
Brookwood Park Limited
Kingfield Community Sports Centre Limited

Leigh Clarke, Director of Finance

Kingfield Community Sports Centre Limited

STANDARDS AND AUDIT COMMITTEE – 4 MARCH 2021

MEMBERS' CODE OF CONDUCT

Executive Summary

This report recommends that the Council adopts the Local Government Association's Model Code of Conduct, with effect from the start of the 2021/22 Municipal Year (20 May 2021).

Recommendations

The Committee is requested to:

RECOMMEND TO COUNCIL That

- (i) the Local Government Association's Model Code of Conduct appended to this report be adopted with effect from the start of the 2021/22 Municipal Year (20 May 2021);
- (ii) Council notes the intention to grant dispensations to Members to participate in items where they have an interest arising from being appointed, by the Council, to the body concerned; and
- (iii) Council resolves that compliance with Standards Protocols shall be deemed to be a requirement of the Local Government Association's Model Code of Conduct, as adopted by the Council.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: Local Government Association documents.

Reporting Person: Peter Bryant, Director of Legal and Democratic Services/Monitoring Officer
Email: peter.bryant@woking.gov.uk, Extn: 3030

Contact Person: Peter Bryant, Director of Legal and Democratic Services/Monitoring Officer
Email: peter.bryant@woking.gov.uk, Extn: 3030

Date Published: 24 February 2021

1.0 Introduction

- 1.1 The Localism Act 2011 requires Councils to publish a Members' Code of Conduct that sets out the standards of behaviour expected of a Member when acting as a Member of their Council. The Code of Conduct also deals with the registration of pecuniary and non-pecuniary interests.
- 1.2 The Members' Code of Conduct adopted by the Council is appended at Appendix 1 (pages 11 – 17).
- 1.3 Last year, the Local Government Association ("LGA") consulted on a new Model Members' Code of Conduct that could be adopted by Councils. This was part of the LGA's work on supporting the local government sector to continue to aspire to high standards of leadership and performance. The LGA stated:-

"The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities."

- 1.4 The consultation process allowed Councillors to respond to the LGA on an individual basis. To facilitate this, the Monitoring Officer (i) presented a report to the Standards and Audit Committee on 23 July 2020 and (ii) advised all Members of the consultation process and how they could respond to it.
- 1.5 In December 2020, the LGA published the new Model Code of Conduct which it had adopted following consideration of the consultation responses.
- 1.6 This report recommends that the Council adopts the LGA Model Code of Conduct with effect from the start of the 2021/22 Municipal Year (20 May 2021).

2.0 LGA Model Code of Conduct

- 2.1 A copy of the new LGA Model Code of Conduct is appended as Appendix 2 (pages 19 – 33).
- 2.2 The Model Code builds upon the Seven Principles of Public Life, also known as the Nolan Principles. These are selflessness; integrity; objectivity; accountability; openness; honesty and leadership.
- 2.3 In the Model Code, the general principles (which flow from the Nolan Principles) are phrased in the first person. This emphasises the fact that the Code of Conduct "belongs" to Members. It is they who should own, champion and comply with it.
- 2.4 Helpfully, the section of the Model Code entitled "Application of the Code of Conduct" makes it clear that it applies to "all forms of communication and interaction" including "electronic and social media communication, posts, statements and comments". Given the increasing use of social media by Members, this is to be welcomed.
- 2.5 Although the underlying provisions of the Council's existing Members' Code of Conduct are incorporated in the Model Code, the Model Code does go further in some respects. These are referred to in paragraphs 2.6 – 2.8 of this report.

- 2.6 A Member with a “disclosable pecuniary interest” in a matter cannot normally take part in discussing or determining that matter. The Model Code provides an option to extend the definition of “disclosable pecuniary interest” to cover unpaid directorships (as opposed to just paid directorships, which are already covered). As a general principle, this approach is supported. However it should not apply to unpaid directorships where the Member is a Council-appointed director of a Council company. This is on the basis that these companies have been set up by the Council to deliver its objectives, i.e. things that the Council would otherwise do for itself, but which can be better undertaken through a company structure. In short, the companies are vehicles to deliver service outcomes for the Council’s residents. The Monitoring Officer is authorised, under Section 33 of the Localism Act 2011, to grant a dispensation to Members to participate in an item of business in which they would otherwise have a disclosable pecuniary interest. Dispensations can last for a maximum of four years. Council-appointed directorships to Council companies, could, therefore, be excluded from the prohibition on participation in this way.
- 2.7 The Model Code provides that a Member may only speak on an item which directly relates to a matter in which he/she has a registerable personal (i.e. non-pecuniary) interest if members of the public are also allowed to speak at the meeting concerned. Otherwise, the Member cannot speak or vote on the item. This goes further than the Council’s existing Code of Conduct which permits Members to participate fully in items in which they have a registerable personal interest. It is considered that the wider approach recommended by the LGA should be followed. As with unpaid directorships, appropriate dispensations could be given to Members who have been appointed to bodies by the Council.
- 2.8 The Model Code introduces the concept of disclosing non-registerable interests and prescribes the circumstances in which a Member may participate in an item in which they have such an interest. This codifies the common law principles which apply to such matters, so it is helpful to have them set out in the Code of Conduct.
- 2.9 The Council’s existing Members’ Code of Conduct imposes an obligation on Members to comply with Standards Protocols adopted by the Council (see paragraph 2.6 of the existing Members’ Code of Conduct). The Council has a Standards Protocol which covers “Member on Member” complaints. The effect of paragraph 2.6 is that a breach of a Standards Protocol can also be a breach of the Members’ Code of Conduct. This should continue to be the case if the Model Code is adopted. This can be achieved by Council resolving that compliance with Standards Protocols shall be deemed to be a requirement of the Model Code.

3.0 Implications

Financial

- 3.1 None.

Human Resource/Training and Development

- 3.2 Training on Standards issues and the Code of Conduct will be provided early in the new Municipal Year. It should be mandatory for Members to attend this training.

Community Safety

- 3.3 None.

Risk Management

- 3.4 None.

Sustainability

3.5 None.

Equalities

3.6 None.

Safeguarding

3.7 None.

4.0 Conclusions

4.1 The LGA Model Code of Conduct represents a fair balance between protecting the public interest and the rights/responsibilities of individual Members. It should be adopted by the Council without amendments.

REPORT ENDS

Members' Code Of Conduct

1. Introduction and Interpretation

1.1 This Code applies to you as a Member of Woking Borough Council ("the Council") when you act in your role as a Member.

1.2 This Code is based on, and is consistent with, the principles of public life set out in Section 28 of the Localism Act 2011: -

Selflessness

Integrity

Objectivity

Accountability

Openness

Honesty

Leadership

1.3 These principles define the standards that Members should uphold, and serve as a reminder of the purpose of the Code of Conduct. The principles can be defined as follows:

- Selflessness: Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.
- Integrity: Members should not place themselves in situations where their integrity may be questioned, should not behave improperly, and should on all occasions avoid the appearance of such behaviour.
- Objectivity: Members should take decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.
- Accountability: Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should cooperate fully and honestly with any scrutiny appropriate to their particular office.
- Openness: Members should be as open as possible about their actions and those of the Council, and should be prepared to give reasons for those actions.
- Honesty: Members should not place themselves in situations where their honesty may be questioned.
- Leadership: Members should promote and support these principles by leadership and by example, and should act in a way that secures or preserves public confidence.

1.4 It is your responsibility to comply with the provisions of this Code.

1.5 In this Code –

"meeting" means any meeting of

- (a) the Council;
- (b) the Executive;
- (c) any of the Council's or the Executive's committees, sub-committees, joint committees, joint sub-committees, or area committees;

"Member" includes a co-opted member.

2. General Obligations

- 2.1 **Do** treat others with respect. In particular, you should promote equality by not discriminating unlawfully against any person, and by treating people with respect regardless of their race, age, religion, gender, sexual orientation or disability. You should also respect the impartiality and integrity of the Council's statutory officers and its other employees.
 - 2.2 **Do not** conduct yourself in a manner which is contrary to the Council's duty to promote and maintain high standards of conduct by Members or the principles contained in Section 28 of the Localism Act 2011 (see paragraphs 1.2 and 1.3 above).
 - 2.3 **Do not** disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:
 - (i) you have the consent of a person authorised to give it;
 - (ii) you are required by law to do so;
 - (iii) the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
 - (iv) the disclosure is:
 - (a) reasonable and in the public interest;
 - (b) made in good faith and in compliance with the reasonable requirements of the Council; and
 - (c) you have consulted the Monitoring Officer or taken other independent legal advice prior to its release.
 - 2.4 **Do not** prevent another person from gaining access to information to which that person is entitled by law.
 - 2.5 **Do not** use or attempt to use your position as a Member improperly to confer on or secure for yourself or any other person an advantage or disadvantage.
 - 2.6 **Do** comply with any Member Protocols that the Council has resolved should be the subject of this paragraph.
- ## 3. Gifts and Hospitality
- 3.1 **Do** exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a Member.

3.2 **Do not** accept significant gifts or hospitality from persons seeking to acquire, develop or do business with the Council or from persons who may apply to the Council for any permission, licence or other significant advantage.

3.3 **Do** register with the Monitoring Officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

4 **Registration of Interests**

4.1 **Do** notify the Monitoring Officer of your disclosable pecuniary interests, or other interests which the Council has decided are appropriate for registration, within 28 days of being elected or appointed to office.

4.2 **Do** notify the Monitoring Officer of any change in your disclosable pecuniary interests, or other interests which the Council has decided are appropriate for registration, within 28 days of the change taking effect.

4.3 **Do** notify the Monitoring Officer of any disclosable pecuniary interests, or other interests which the Council has decided are appropriate for registration, not already registered within 28 days of your re-election or re-appointment to office.

4.4 **Do** be aware that disclosable pecuniary interests include not only your interests but also the interests of your spouse or civil partner, a person with whom you are living as husband or wife or a person with whom you are living as if they were a civil partner, so far as you are aware of the interests of that person.

4.5 **Do** be aware that the Council has decided that it is appropriate for you to register and disclose non-pecuniary interests that arise from your membership of, or your occupation of a position of general control or management in, the following bodies:

- (i) bodies to which you have been appointed or nominated by the Council;
- (ii) bodies exercising functions of a public nature;
- (iii) bodies directed to charitable purposes;
- (iv) bodies one of whose principal purposes includes the influence of public opinion or policy.

Note: "Disclosable pecuniary interests" means interests defined as such in The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (copy attached).

5 **Disclosure of Interests and Participation**

5.1 **Do** disclose to a meeting at which you are present any disclosable pecuniary interest, or (save for membership of another local authority) other interest which the Council has decided is appropriate for registration.

5.2 **Do** notify the Monitoring Officer of any disclosable pecuniary interest, or other interest which the Council has decided is appropriate for registration, not already registered that is disclosed to a meeting under paragraph 6(1) above within 28 days of the disclosure.

5.3 **Do not** participate in any discussion, or vote, where you have a disclosable pecuniary interest in a matter. **Do** withdraw from the meeting during the consideration of the matter.

- 5.4 Applications for a dispensation under Section 33 of the Localism Act 2011 (allowing a Member to participate in an item in which he/she has a disclosable pecuniary interest) shall be made to, and determined by, the Monitoring Officer.

Adopted by Woking Borough Council on 28 June 2012 with effect from 1 July 2012.

Amended by Woking Borough Council on 24 October 2013.

2012 No. 1464

LOCAL GOVERNMENT, ENGLAND

The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

<i>Made</i> - - - -	<i>6th June 2012</i>
<i>Laid before Parliament</i>	<i>8th June 2012</i>
<i>Coming into force</i> - -	<i>1st July 2012</i>

The Secretary of State, in exercise of the powers conferred by sections 30(3) and 235(2) of the Localism Act 2011(1), makes the following Regulations.

Citation, commencement and interpretation

1.— (1) These Regulations may be cited as the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 and shall come into force on 1st July 2012.

(2) In these regulations—

“the Act” means the Localism Act 2011;

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

“director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

“M” means a member of a relevant authority;

“member” includes a co-opted member;

“relevant authority” means the authority of which M is a member;

“relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) or section 31(7), as the case may be, of the Act;

“relevant person” means M or any other person referred to in section 30(3)(b) of the Act;

“securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000(2) and other securities of any description, other than money deposited with a building society.

(1) 2011 c.20.
(2) 2000 c. 8.

Specified pecuniary interests

2. The pecuniary interests which are specified for the purposes of Chapter 7 of Part 1 of the Act are the interests specified in the second column of the Schedule to these Regulations.

Signed by authority of the Secretary of State for Communities and Local Government

Grant Shapps
Minister of State

6th June 2012

Department for Communities and Local Government

SCHEDULE

Regulation 2

<i>Subject</i>	<i>Prescribed description</i>
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992(3).</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to M's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one</p>

(3) 1992 c. 52.

- hundredth of the total issued share capital of that body; or
- (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 30 of the Localism Act 2011 provides that a member or co-opted member of a relevant authority as defined in section 27(6) of the Localism Act 2011, on taking office and in the circumstances set out in section 31, must notify the authority's monitoring officer of any disclosable pecuniary interest which that person has at the time of notification. These Regulations specify what is a pecuniary interest. Section 30(3) of the Act sets out the circumstances in which such an interest is a disclosable interest.

A full impact assessment has not been produced for these Regulations as no impact on the private or voluntary sectors is foreseen.



Local Government Association

Model Councillor Code of Conduct 2020

Joint statement

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area; taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Introduction

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

Definitions

For the purposes of this Code of Conduct, a "councillor" means a member or co-opted member of a local authority or a directly elected mayor. A "co-opted member" is defined in the Localism Act 2011 Section 27(4) as "a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee".

For the purposes of this Code of Conduct, "local authority" includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the Seven Principles of Public Life, also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
 - i. I have received the consent of a person authorised to give it;**
 - ii. I am required by law to do so;**
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
 - iv. the disclosure is:**
 - 1. reasonable and in the public interest; and**
 - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
 - 3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local or authorising their use by others:

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"**Disclosable Pecuniary Interest**" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"**Partner**" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative, close associate; or
 - c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	<p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land and Property	<p>Any beneficial interest in land which is within the area of the council.</p> <p>'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
Licenses	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
Corporate tenancies	<p>Any tenancy where (to the councillor's knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
Securities	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p>

	spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
--	-------------------------------------------------------------------------------------------------------------------------

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

<p>You have a personal interest in any business of your authority where it relates to or is likely to affect:</p> <ul style="list-style-type: none">a) any body of which you are in general control or management and to which you are nominated or appointed by your authorityb) any body<ul style="list-style-type: none">(i) exercising functions of a public nature(ii) any body directed to charitable purposes or(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

STANDARDS AND AUDIT COMMITTEE – 4 MARCH 2021

ANNUAL AUDIT LETTER 2018/19

Executive Summary

The Council's external auditors, BDO, have completed their work on the 2018/19 audit and have produced the Annual Audit letter which summarises the key findings.

As well as a summary of their conclusions it provides information on the reports issued and the final audit fee.

Although the Annual Audit Letter is addressed to the Members of the Authority, it is also intended to inform key external stakeholders, including members of the public, and will be published on the Council's website.

Recommendations

The Committee is requested to:

RESOLVE That the annual audit letter be received.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

Reporting Person: Leigh Clarke, Finance Director
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Contact Person: Leigh Clarke, Finance Director
Email: leigh.clarke@woking.gov.uk, Extn: 3277

Date Published: 24 February 2021

WOKING BOROUGH COUNCIL

Annual Audit Letter

Year ended 31 March 2019

IDEAS | PEOPLE | TRUST



EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the year ended 31 March 2019.

It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to report:

- Our opinion on the financial statements; and
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

BDO LLP

BDO LLP

3 December 2020

Audit conclusions

Audit area	Conclusion
Financial statements	Unmodified true and fair opinion
Use of resources	Unmodified conclusion
Audit certificate	We issued our certificate to close the audit on 26 November 2020.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

FINANCIAL STATEMENTS

Audit opinion on the Council and Group financial statements

We issued an unmodified audit opinion on the financial statements on 26 November 2020. This means that we consider that the financial statements:

- Give a true and fair view of the financial position and its income and expenditure for the year; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

Materiality

Group financial statements materiality was £15.65 million (Council £15.5 million) based on 1% of the value of gross assets on the balance sheet. Specific materiality on the Comprehensive Income and Expenditure Statement (CIES) was £2.6 million (Council £2.5 million) based on 2% of gross expenditure.

Corrected misstatements

Management has made audit adjustments to the financial statements that decreased the deficit for the Group by £20.514 million to £31.395 million (Council deficit reduced by £22.032 million to £25.523 million). Net assets of the Group reduced by £3.126 million (Council reduced by £1.880 million).

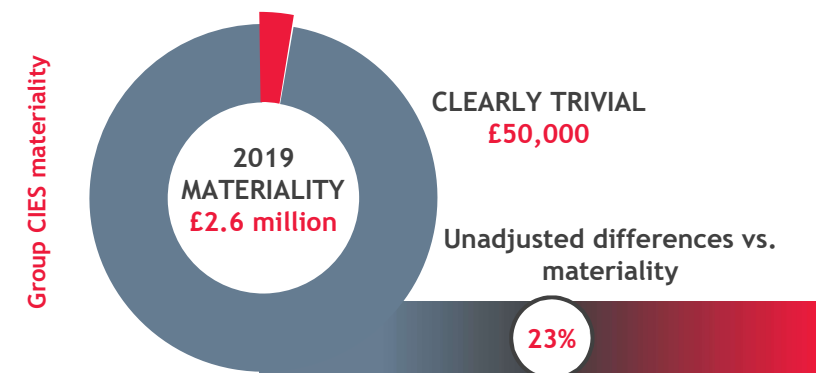
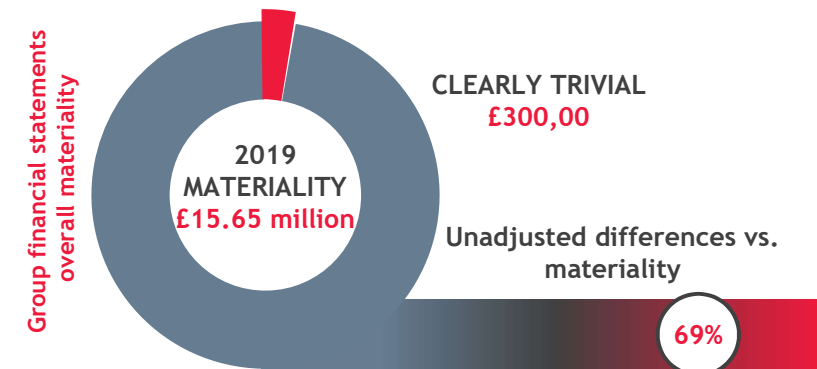
The key adjustments include:

- Updated pension liability valuation;
- Allocation of revaluation gains and losses for car parks and other assets between the revaluation reserve and CIES;
- Reclassification of intra-group balances between short term and long term; and
- Correction to group cash flows between operating and investing activities.

Unadjusted audit differences

The remaining uncorrected audit differences above our trivial reporting threshold, if corrected, would reduce the Council and Group CIES deficit for the year by £0.586 million and increase net assets of the Group by £10.745 million (Council increase by £8.245 million).

These do not impact on the General Fund and Earmarked Revenue Reserves balances of the Council.



FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Risk description	How the risk was addressed by our audit	Results
Management override of controls	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and• Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud.	<p>We identified no significant or unusual transactions which we consider to be indicative of fraud in relation to management override of controls.</p> <p>We have not found indications of management bias in accounting estimates that represent a risk of fraudulent material misstatement of the financial statements.</p>

FINANCIAL STATEMENTS

Audit Risks

Risk description	How the risk was addressed by our audit	Results
Revenue and expenditure recognition	<p>We carried out the following planned audit procedures in response to the fraudulent revenue and expenditure recognition risk:</p> <ul style="list-style-type: none">• Tested a sample of grants included in income to documentation from grant paying bodies and checked whether recognition criteria had been met; and• Tested a sample of expenditure either side of year end to confirm that expenditure has been recorded in the correct period and that all expenditure that should have been recorded at year end has been.	<p>Our testing of revenue and capital grants confirmed that these were recognised when performance conditions attached to them had been satisfied.</p> <p>Our testing of cut off for revenue identified that annual parking permits were not being recognised in the correct financial reporting period when they straddled the financial year end, resulting in an overstatement of revenue of £137,000 for permits with expiry dates after the year end.</p> <p>We also found trivial errors in our testing of expenditure items around the year end.</p> <p>We have recommended that management review arrangement to improve cut-off adjustments for the final accounts.</p>

FINANCIAL STATEMENTS

Audit Risks

Risk description	How the risk was addressed by our audit	Results
Valuation of land, dwellings, buildings and investment property	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Reviewed the instructions provided to the valuers and the valuers' skills and expertise in order to determine if we can rely on the management expert;• Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;• Reviewed the accuracy and completeness of asset information provided to the valuer such as rental agreements and land / building sizes; and• Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets and followed up valuation movements that appear unusual.	<p>Our review of instructions to the Council's valuer and the valuer's skills and expertise did not identify any issues. We confirmed that the basis of valuation for assets is appropriate.</p> <p>However, £176 million of assets in the subsidiaries were last formally revalued some years ago and valuations undertaken by the directors since then had concluded that no updated valuation was required. These mainly related to housing assets and we applied regional housing price indices to the previous valuation, adjusted for acquisitions, new builds and disposals and estimated that the carrying value is some £2.5 million higher than the valuations used by the directors. We have recommended that these assets are subject to formal valuations more frequently.</p> <p>Our work on the accuracy and completeness of asset information used as the basis of valuation and review of the assumptions used to value the assets identified issues around the valuation of car parks including the allocation of the valuation between the land and buildings elements and one car park no longer in use. The valuer subsequently corrected the land and buildings allocations and increased the valuations for all car parks by £8.382 million using more up to date income information.</p> <p>We also found an issue regarding the allocation of land and building values not being correctly assigned to each element of the asset in the asset register for three other assets that resulted in both a gain and a loss being reported on the same asset, creating an incorrect allocation of the loss being taken to the CIES as an impairment charge rather than being offset against the revaluation reserve. This resulted in £6.7 million inappropriately charged as impairment to the CIES on these assets. The majority of this related to £6 million impairment charge for the Hoe Valley Sports Facility.</p>

FINANCIAL STATEMENTS

Audit Risks

Risk description	How the risk was addressed by our audit	Results
Valuation of pension liabilities	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Reviewed the controls for providing accurate membership data to the actuary;• Checked whether any significant changes in membership data have been communicated to the actuary; and• Reviewed the reasonableness of the assumptions used in the calculation against other actuaries and other observable data.	<p>We received assurances from the auditor of the Surrey pension fund that appropriate controls are in place to maintain accurate membership records and to provide accurate cash flow and investment information to the actuary.</p> <p>We confirmed with the Council that no significant changes in membership took place in the year.</p> <p>We compared the key financial and demographic assumptions used by the actuary to an acceptable range provided by a consulting actuary commissioned for local public auditors by the National Audit Office. The assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range.</p> <p>As requested by us, the Council obtained an updated valuation of the liability to take account of the McCloud age discrimination ruling and GMP gender equalisation costs and corrected the financial statements to increase the liability by £0.612 million.</p> <p>This updated valuation also found that the estimated return on scheme assets in the pension fund had been overstated by the actuary and the Council's share of scheme assets was decreased by £1.268 million.</p>

FINANCIAL STATEMENTS

Audit Risks

Risk description	How the risk was addressed by our audit	Results
Group consolidation	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Agreed the component entities' group consolidation returns to the audited accounts;• Agreed any subsequent adjustments reflected in the returns for material transactions and valuation updated to 31 March 2019;• Agreed the consolidation process and intra-group elimination of transactions and balances; and• Reviewed the adjustments made to Group accounts following the publishing of the draft accounts.	<p>We identified differences between the amounts included in the consolidated financial statements and the published subsidiary accounts where audit corrections had been made to the draft financial statements used in the consolidation.</p> <p>Our review of the consolidation working papers found a number of other issues:</p> <ul style="list-style-type: none">• Some loans to the Thamesway Group due to mature in 2019/20 were treated as long-term debtors as they were used to fund long term projects but this did not match the short-term classification in the subsidiary accounts• The balance sheet included loan repayments that were erroneously included within a previous adjustment• Adjustments were required to ensure the Thamesway loan balance matched the subsidiaries' records requiring an adjustment to increase long term borrowing• The Group cash flow statement had misclassified cash flows between operating activities and investing activities• There were differences between the Group Movement in Reserves Statement (MiRS) and the Group CIES on Other Comprehensive Income. <p>We have recommended management review the processes over the consolidation of the component financial statements into the Group.</p>

FINANCIAL STATEMENTS

Audit Risks

Risk description	How the risk was addressed by our audit	Results
Minimum revenue provision	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"> Reviewed the MRP policy approved by the Council against recent guidance issued by Government. <p>The Council has set aside an MRP charge for the year of £4.849 million based on the following policy:</p> <ul style="list-style-type: none"> No charge on assets during the construction phase and charges commence once operational Pre-2008 borrowing at 4% of remaining balance Investments in share capital of subsidiaries at 1% of the investment Some property assets at 1% of the cost (over 100 years such as Wolsey Place) and others at 2% (over 50 years) 50 year annuity based repayment for recent commercial property acquisitions such as Dukes Court (this method produces a constant charge each year of interest and principal) Housing developments interest only for initial 25 years then annuity based repayment for years 25 to 50 No charge on loans to others and subsidiaries (totalling £515 million). 	<p>The Council does not charge MRP on the borrowing used to fund the loans to subsidiaries as the intention is that these entities will be able to make sufficient returns in the future to be able to repay these loans and, in turn, the Council would repay its borrowing. Management stated that it was satisfied that the business models would result in full repayment of the loans over the next 50 years. Loan repayments received to date are held and separately disclosed within capital receipts (£48 million at 31 March 2019).</p> <p>Government and CIPFA have become concerned that local authorities are not putting aside sufficient resources to repay loans and DCLG issued amended regulations for calculating a 'prudent' MRP charge for any new borrowing and investments from 1 April 2019. This is likely to increase the annual MRP charge for local authorities.</p> <p>While the regulations allow previous MRP policies to continue for existing borrowing, Government has advised that local authorities should revisit their existing MRP policies against the new guidance, particularly for investments where no MRP is currently being charged. Government is of the view that local authorities should be building up a 'buffer' against potential losses by setting aside an MRP charge even on investments where there is an expectation that the loans will be fully repaid by the investee from future profits or asset sales.</p> <p>We have recommended that the Council reviews its existing MRP policy to confirm that it is compliant with the new CLG guidance for investments supported by new borrowing from 1 April 2019. We also recommended that for pre-April 2019 investments, that the Council closely monitor the business plans of the subsidiaries in light of the impact of Covid to confirm that the loans will be fully repaid, and whether it would be appropriate to commence making an MRP charge against that borrowing.</p>

USE OF RESOURCES

Audit Risks

Audit conclusion on use of resources

We issued an unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we consider that in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We set out below the risk that had the greatest effect on our audit strategy.

Risk description	How the risk was addressed by our audit	Results
Sustainable finances	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none">• Reviewed the assumptions used in the Medium Term Financial Strategy and reasonableness of the cost pressures and the amount of Government grant reductions;• Monitored the delivery of the budgeted savings in 2018/19 and the plans to reduce services costs and increase income from 2019/20; and• Review the strategies to close the budget gap after 2019/20.	<p>An updated MTFs at March 2019 was provided that highlighted the actions taken to address funding gaps, including the new strategic and housing investments, to deliver the required savings to 2022/23. A further £1 million has been added to the savings requirement due to a further year of forecast as well as continued funding reductions and Investment Programme costs.</p> <p>The Council's 'Green Book' showing performance and budgetary information highlights a small overspend against budget of £48,000 in March 2019. However, this excluded income from new properties and the benefit from the business rates pilot which were transferred to reserves.</p> <p>We are satisfied that the Council has adequate arrangements in place for managing its finances.</p>

REPORTS ISSUED AND FEES

Fees summary

	2018/19 Final £	2018/19 Planned £	2017/18 Final £
Audit fee			
• Council	(2) 107,121	(1) 42,121	54,702
Non-audit assurance services			
Fees for reporting on government grants:			
• Housing benefits subsidy claim	7,208	7,208	7,208
• Pooled housing capital receipts return	3,000	3,000	3,000

(1) Public Sector Audit Appointments Limited (PSAA) had proposed a reduction in planned scale fees of 23% for 2018/19 following the re-procurement of services.

(2) However, additional costs have been incurred in the audit due to the significance of the Council's investments and complexity of the Group that has not been reflected in the PSAA scale fees for some years, and additional work address errors identified in accounting for revaluations and the group consolidation. We propose increasing the final fee for 2018/19 by £65,000 to £107,121 based on the additional hours required for this audit at the PSAA grade contracted rates.

Communication

Reports	Standards and Audit Committee
Audit plan	11 April 2019
Audit Progress reports	Initial findings report 15 July 2019 Audit Progress reports 28 November 2019 and 5 March 2020
Audit completion report	26 November 2020

FOR MORE INFORMATION:

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STANDARDS AND AUDIT COMMITTEE – 4 MARCH 2021

INTERNAL AUDIT STRATEGY AND PROPOSED 2021/22 PLAN

Executive Summary

This report sets out the Internal Audit Strategy and proposed Annual Plan for 2021/22, which details how the Council will meet its statutory requirements for Internal Audit.

The report explains that the overall level of audit coverage has been developed by applying a risk based approach. The Audit Plan continues to focus upon areas of highest risk and the overall coverage is sufficient to provide Members, management and other external bodies with an independent assurance on the adequacy of the Council's risk management, governance and internal control framework.

Recommendations

The Committee is requested to:

RESOLVE That the Internal Audit Strategy and the indicative Audit Plan for 2021/22 be approved.

The Committee has the authority to determine the recommendation set out above.

Background Papers: None.

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Date Published: 24 February 2021

1.0 Introduction

- 1.1 This report establishes the Internal Audit Strategy and proposed Annual Plan for 2021/22, which details how the Council will meet its statutory requirements for Internal Audit.

2.0 Background

2.1 The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control and report major weaknesses together with recommendations for improvement. The role is fulfilled by carrying out appropriate audit work in accordance with the Annual Plan as approved by the Chief Finance Officer and the Standards and Audit Committee of the Council. As Internal Audit is a major source of assurance that the Council is effectively managing its risks, a key rationale for the development of the Internal Audit Plan was the Council's own Strategic Risk Register and risks detailed within Service Plans.

2.2 The Council's Internal Audit Service is delivered in accordance with a regulatory framework comprising:

- The Local Government Finance Act 1972 which requires councils to 'make arrangements for the proper administration of their financial affairs';
- The Accounts and Audit Regulations 2015. These require that all local authorities must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'; and
- The UK Public Sector Internal Auditing Standards (PSIAS). These standards set out what is meant by appropriate internal audit practices. These are mandatory standards and replaced the former CIPFA Code of Practice for Internal Audit in Local Government 2006.

2.3 The Internal Audit Strategy is a high level statement which outlines how the Internal Audit Service will be delivered to meet the requirements as set out above. The PSIAS no longer make specific reference to a strategy document, but they require that the information that it contains be communicated to the Audit Committee (or equivalent), to support discussion about audit planning and resources.

3.0 Internal Audit Strategy

3.1 This strategy recognises that it is management's responsibility to establish and maintain a sound system of internal control and ensure that risks are properly managed. The overall aim of internal audit work is to establish areas requiring improvement and recommend solutions that will enable the Council to achieve its objectives.

3.2 The internal audit strategy and planning process reflects that the control environment is constantly changing, requiring continuous review and re-evaluation to ensure that emerging risks are identified and assessed and included as appropriate in the audit plan. Specifically, recognising the unprecedented challenges facing Public Sector finances, the strategy must have in built flexibility to consider:

- Greatest risks to achievement of the Council's objectives
- New areas of activity;
- Issues of local significance and importance;
- Changing issues and priorities;
- Changes to models for service delivery and partnership working; and

- The impact of changes on existing control structures.
- 3.3 The purpose of the internal audit strategy is to establish an approach that will enable internal audit to be responsive to change and managed in a way which will facilitate:
- An understanding of assurance needs to enable the provision to Members and management of an overall opinion each year on the Council's risk management, control and governance framework, to support the Annual Governance Statement within the audited financial statements;
 - Internal Audit of the Council's risk management, control and governance systems through an approach which assesses risks to Council objectives and prioritises internal audits accordingly;
 - The identification of internal audit resources required to deliver a service which meets the PSIAS and achieves the required level of audit coverage to enable an opinion to be given on the Council's control environment;
 - The identification of other sources of assurance from other assurance providers which can be relied upon to inform the focus of internal audit activity;
 - Co-operation and working protocols with the external auditors (BDO) and any other relevant review bodies to ensure that assurance functions work effectively together; and,
 - Identification of responsibilities for providing assurance where services are delivered in partnership.
- 3.4 Based on the budget available for internal audit work, the strategy and internal audit work make provision for:
- Sufficient coverage of all major financial systems to provide the necessary audit assurance;
 - New systems and emerging high risk areas;
 - Cross cutting reviews for a selection of corporate themes which link to the Strategic Risk Register;
 - Support for corporate governance, with particular focus on governance issues identified in the Council's annual governance statement, ensuring that proposed actions are taken;
 - Monitoring the implementation of internal audit recommendations categorised as high; and
 - An element for contingency to enable the audit service to provide ad hoc advice and to respond to management requests for support.
- 3.5 The internal audit plan is prepared on the basis of a risk assessment combined with an understanding of other sources of assurance which are then compared to the internal audit resources available. Given the level of internal audit resources available, it is vital that internal audit work is planned and focused to ensure an efficient and effective use of resources directed at those areas of greatest risk to the Council.
- 3.6 The Internal Audit function, including the Head of Internal Audit role is outsourced to Mazars LLP under the London Borough of Croydon APEX Framework.

4.0 Development of 2021/22 Internal Audit Plan

- 4.1 The Internal Audit Plan continues to focus upon areas of highest risk and is sufficient to provide Members and management with independent assurance on the adequacy of the Council's internal control framework.
- 4.2 The main factors taken into account in compiling the Internal Audit Plan consist of:
- Materiality and significance based upon budgets and volume of transactions;
 - Historic knowledge and experience accumulated in Internal Audit, based upon the results of previous audits;
 - Changes to the control environment or legislative changes since the previous internal audit;
 - A review of internal audit themes against the Council's Strategic Risk Register and corporate objectives;
 - Other sources of assurance available to the Council;
 - Concerns and emerging risks as identified by Chief Officers; and,
 - Mazars Horizon Scanning of issues affecting all Local Authorities (<https://www.mazars.co.uk/Home/Industries/Public-social-sector/Public-sector-insights/Internal-audit-challenges-for-the-PS-in-2021>).
- 4.3 The total number of internal audit days allocated for 2021/22 is 321, including 30 days for IT audit and 24 days for the Head of Internal Audit role. This number is 8 days above the original allocation for 2020/21 (313 days), however since approval, three audits have been deferred (36 days) and as such the actual days delivered will be less than planned in 2020/21. The resources allocated ensure that sufficient high risk areas are audited to allow the Head of Internal Audit to provide an effective annual opinion on the internal control environment.
- 4.4 The proposed Internal Audit Plan is presented in Appendix A. Risks referred to in the plan are those on the Strategic Risk Register. The proposed plan has been agreed by the Council's Chief Finance Officer and informed by discussions with Corporate Management Group (CMG). It will also be circulated to the Council's external auditor, BDO.

5.0 Key Performance Indicators for 2021/22

- 5.1 In line with the Internal Audit Charter presented to Committee in November 2020, Internal Audit is seeking to establish a service which is continually improving. We acknowledge it is essential that we agree on measures by which Internal Audit should demonstrate both that it is meeting the Council's requirements and that it is improving over the life of the contract.
- 5.2 This will be both through quantifiable factors within Key Performance Indicators (KPIs) and additionally through a number of measures to further seek to establish the value derived from internal audit.
- 5.3 Following discussions with the Council's Chief Finance Officer, nine indicators were agreed to be measured and reported as part of the quarterly progress reports presented to the Committee. Details of the agreed indicators can be found within Appendix B.

6.0 Implications

Financial

- 6.1 There are financial implications related to the delivery of the proposed plan and days included. Sufficient budget needs to be set aside to cover the costs of delivery.
- 6.2 There are minimal financial implications around the implementation of internal audit recommendations. Some audit recommendations are designed to improve value for money and financial control.

Human Resource/Training and Development

- 6.3 Some internal audit recommendations need resource to put in place.

Community Safety

- 6.4 There is minimal impact on Community Safety.

Risk Management

- 6.5 Internal Audit identifies weaknesses in the control environment. Implementation of recommendations therefore improves the control environment and the management of risk.

Sustainability

- 6.6 Two internal audits related to sustainability are included in the 2021/22 Internal Audit Plan (Green Jump Surrey and Air Quality).

Equalities

- 6.7 There is minimal impact of equalities issues.

Safeguarding

- 6.8 There is minimal impact of equalities issues.

REPORT ENDS

Appendix A – Proposed 2021/22 Internal Audit Plan

	Title	Source	Scope/notes	Indicative days
People				
1	Disabled Facilities Grant (DFG)	Discussion with CMG	Policies and Procedures; Accessing to Funding; Works Performed; Performance and Financial Monitoring	10
2	Homesafe Plus (Hospital Discharges)	Discussion with CMG	Scope to be determined	10
3	Careline	Discussion with CMG	Scope to be determined	10
4	Temporary Accommodation	Discussion with CMG	Strategy, Policies and Procedures; Suitability of TA; Offers of TA; Monitoring Clients Stay in TA; Payments to Accommodation Providers; Performance Management and Reporting	12
5	Housing Benefits	Discussion with CMG and previous audit coverage	Policies and Procedures; Backdated Claims; Overpayments; Payments; Scanning & Indexing; Quality Controls; Reconciliations; Performance Reviews	12
Place				
6	Building Control	Discussion with CMG and previous audit coverage	Procedures and Guidance, Applications, Inspections, Fee Income, Enforcement, Dangerous Structures, Performance Monitoring and Financial Management	10
7	Capital programme	Risk Register (1) – Deferred from 20/21	Governance arrangements, Development of the Capital Programme, Capital Programme and Project Monitoring, Programme Alterations and Virements, Capital Programme and Project Income, Financial and Performance Management Reporting	12

Internal Audit Strategy and Proposed 2021-22 Plan

	Title	Source	Scope/notes	Indicative days
8	Private Water Supplies	Discussion with CMG	Compliance with the Private Water Supplies Regulations 2009	10
9	Air Pollution	Discussion with CMG and previous audit coverage	Strategy and Planning; Monitoring of Air Quality; Air Quality Management Areas and Action Plans; Stakeholder and Partner Engagement; Pollution Prevention and Control Permits; Performance Management and Reporting	10
10	ThamesWey – Green Jump Surrey	Risk Register (3) and Discussion with CMG	Scope to be determined. Overall Project Management	20
Us				
11	Taxi Licensing	Discussion with CMG and previous audit coverage	Management, Organisational and Regulatory Requirements; Background Checks; Issue of Licences and Income Collection; Monitoring, Inspections and Enforcement	10
12	Overview and Scrutiny Review	Peer Challenge LGA Report	Scope to be determined	10
Corporate				
13	Key Financial Control Testing – Accounts Payable, General Ledger, Payroll, Council Tax, NNDR	Standing item	Testing of key financial controls in each financial system.	45
14	ThamesWey – Debt Management	Risk Register (3) and Discussion with CMG	Scope to be determined	10
15	Victoria Square Development	Risk Register (10) – Deferred from 20/21	Scope to be determined	12

Internal Audit Strategy and Proposed 2021-22 Plan

	Title	Source	Scope/notes	Indicative days
16	Insurance	Discussion with CMG	Insurance Coverage; Policies, Procedures and Guidance; Claims Administration; Premium Payments and Cost Allocations; Self Insurance; Loss Adjusters	10
17	Corporate Debt Management	Discussion with CMG	Scope to be determined	12
18	Business Planning	Service plan – Deferred from 20/21	Priority Setting; Collation of Information and Development of Plans; Scrutiny and Approval; Communication; Monitoring and Review; Risk Management.	12
IT Audit				
19	Cyber-Security	Risk Register (14)	Scope to be determined	15
20	Office 365	Risk Register (14)	Review of the implementation of Office 365	15
Other Work				
21	Follow up reviews	Ongoing		10
22	Management	Ongoing		20
23	Head of Audit	Ongoing		24
TOTAL AUDIT DAYS				321

Appendix B – Key Performance Indicators for 2021/22 Plan

	Objective	Measure
1	Achieve the audits allocated to the Contractor for each quarter on a timely basis.	Each quarter's allocated audits to be completed to draft report stage within a month of the end of the quarter (Subject to agreed changes with the Finance Director).
2	Achieve the total annual audits allocated to the Contractor on a timely basis.	All allocated audits for the year to be completed to draft report stage within a month of the 31st March of each year.
3	Notification of planned audits to Key Contacts at the Council.	Council Officers involved in the audit to be notified of the start date not less than two weeks in advance.
4	Issue audit brief.	Linked with the above one - Audit brief to be issued to the Officers involved for comment and approach at least two weeks prior to commencement date of each audit.
5	Conduct exit meetings.	Exit meeting are to be conducted with key contacts on all engagements.
6	Produce final report.	To be produced and issued with 10 working days of receipt of management response to the draft.
7	Produce quarterly assurance report.	Committee reports prepared and shared with Finance Director three weeks before the date of the Committee meeting.
8	Produce annual report.	Annual Report to be prepared and shared with Finance Director three weeks before the date of the Committee meeting.
9	Monthly meetings to be held with the Finance Director.	Monitoring feedback received by Officers. Discuss progress or emerging risks during monthly meetings.

STANDARDS AND AUDIT COMMITTEE – 4 MARCH 2021

INTERNAL AUDIT PROGRESS REPORT

Executive Summary

Financial Regulation 2.8 requires that the Chief Finance Officer shall regularly report to the Standards and Audit Committee (Committee) on the work undertaken by Internal Audit. Similarly, it is a requirement under the Internal Audit Charter approved by the Committee that Internal Audit provides a quarterly report on internal audit progress and key findings to the Committee.

This report covers internal audit activity and performance from 11 November to 22 February 2021.

Recommendations

The Committee is requested to:

RESOLVE That the report be received and progress against the 2020-21 Internal Audit Plan and implementation of Internal Audit recommendations be noted.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

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Date Published: 24 February 2021

1.0 Introduction

- 1.1 Financial Regulation 2.8 requires that the Chief Finance Officer shall regularly report to the Standards and Audit Committee (Committee) on the work undertaken by Internal Audit. Similarly, the Internal Audit Charter approved by the Committee requires that Internal Audit provide a quarterly report on internal audit progress and key findings to the Committee.
- 1.2 The Committee approved the 2020/21 Internal Audit Plan (Plan) on 5 March 2020.
- 1.3 The purpose of this report is to outline the following in respect of Internal Audit Activity during the period:
 - An update on progress in delivering the Plan;
 - A summary of any Limited/Nil Assurance reports issued, and high priority recommendations raised; and
 - An update on follow up activity and any recommendations outstanding for implementation.
- 1.4 This report covers internal audit activity and performance from 11 November 2020 to 22 February 2021.

2.0 Internal Audit Progress

- 2.1 Since the last Committee despite the continued Covid-19 pandemic and strict lockdown measures, progress against the Plan remains on track. All audits planned for Q2 and Q3 are either finalised or at draft report stage in line with the expectations from Corporate Management Group (CMG). Also, of the ten audits planned for Q4, three are at draft report stage, and three are in progress.
- 2.2 This is considered to be a good position considering the last 12 months have been particularly challenging with the impact of Covid-19, the need to complete 2019/20 Plan work post the first lockdown and associated measures whilst also only commencing the new Plan in July 2020.
- 2.3 The remaining four reviews in the Plan are confirmed, two of which are scheduled to start before April 2021. The two remaining are related to IT audits beginning in May 2021. Although this is after the March deadline, they will be delivered in time to be considered for the Internal Audit Annual Opinion for the year.
- 2.4 Following discussions with the Finance Director and the ICT Manager, the Office 365 audit will be included in the 2021/22 Plan and will be replaced with a Remote Working Security/Resilience audit to be delivered in May 2021.
- 2.5 Monthly meetings are held with the Finance Director to consider progress on the Plan, escalate any issues as well as keep abreast of developments at the Council. Following further discussion with the Finance Director there are three non-IT audits to be deferred to the 2021/22 Plan which the Committee is asked to note:
 - Capital Programme – due to current year uncertainty and the suspension of the Programme in 2020-21 it was considered this review would not add value at this stage;
 - Business Planning – as above. There was no Business Planning in the current year; and
 - Victoria Square Development – The audit could not be accommodated in Q3 as planned due to lack of capacity from the Contractor. Discussions will continue with the Contractor and Chief Executive to agree on a specific scope.
- 2.6 The table below provides a summary of progress relevant to the 2020/21 Plan:

Audit Status	Number of reviews	Percentage %
Finalised	7	35%
Draft	6	30%
Fieldwork in progress	3	15%
Not yet started	4	20%
Total	20	100%

2.7 As of 22 February 2021, this equates to 80% of the Plan being delivered to, at least, draft report stage and/or as work in progress. Further detail on the Plan and status is included in Appendix 1.

2.8 In January 2021, work started to develop a proposed Plan for the 2021/22 financial year. This has included a review of latest risks, meetings held with CMG Members and the Finance Director, consideration of results of previous work and a presentation to CMG for discussion. More details regarding the 2021/22 Plan development are included as separate paper.

3.0 Audit Reports Issued

3.1 From the seven reviews for which draft and final reports have been issued at the time of drafting this report, six are on an assurance basis, where we provide an opinion based on our assessment of the control environment. Definitions of the assurance levels and recommendations gradings we use in our reports are included in Appendix 3.

3.2 Details of the reports issued in the period of this report are as follows:

Audit Title	Assurance Opinion	Date Issued	Recommendations by Priority		
			High	Medium	Low
2020/2021 Internal Audit Plan					
Freedom Leisure	Satisfactory	08/12/2020	-	3	-
Procurement	Satisfactory	25/01/2021	-	3	-
Private Sector Leasing (*Draft)	Limited	10/02/2021	-	9	4
Key Financial Systems	N/A – Compliance	15/02/2021	-	-	5
Affordable Housing Delivery (*Draft)	Satisfactory	16/02/2021	-	1	1
Utilities and Energy Management (*Draft)	Satisfactory	18/02/2021	-	1	1
Economic Development (*Draft)	Substantial	18/02/2021	-	-	-
Total			-	17	11

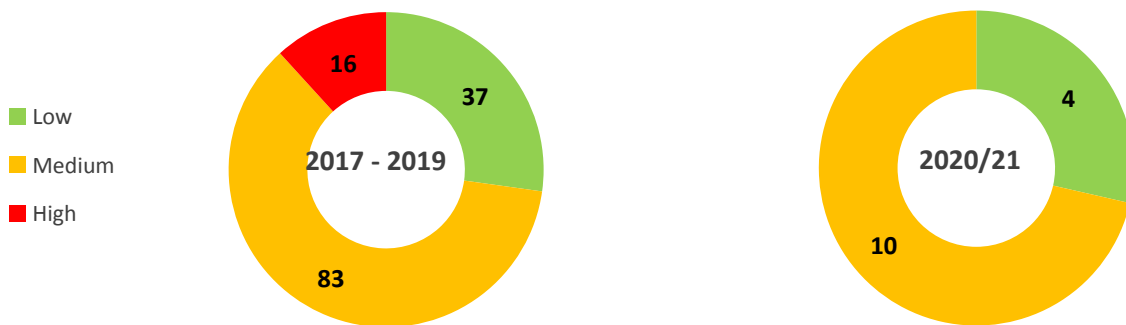
*Draft reports currently awaiting management responses, which may lead to changes in content including assurance levels and/or recommendations.

3.3 As shown in the table above, no 'High Priority' recommendations were raised in the reports finalised in the period. Further details of recommendations raised can be found in the summary reports for each audit provided separately to Members.

4.0 Follow-Ups

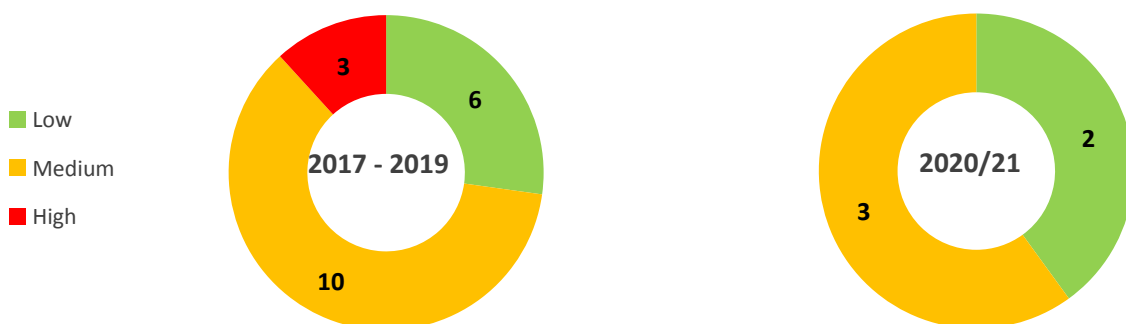
- 4.1 Since the last Committee meeting, Action Management has been populated with any new recommendations from finalised reports. All recommendations raised have been assigned to relevant Officers.
- 4.2 Reporting tools were implemented within the Action Management System. Since the implementation of the System, 150 recommendations spanning multiple years were uploaded. The Committee should note that these were deemed 'non-implemented' at the time of uploading.

Number of Recommendations Uploaded by Priority Level



- 4.3 As of 22 February 2021, there are 24 outstanding recommendations in Action Management (i.e. recommendations that are past their agreed implementation dates). Priorities are as follows:
- Three high priority (Two related to Counter-Fraud and one related to Managing Agents)
 - Thirteen medium priority; and
 - Eight low priority.

Outstanding Recommendations by Priority Level



- 4.4 All the relevant Officers assigned to implement the above outstanding recommendations were reminded to update the Action Management System with progress on implementing these.

Further detail of outstanding high-priority recommendations is included in Appendix 2 of this report.

- 4.5 In addition to monitoring management updates on progress within Action Management, Internal Audit undertakes spot checks to confirm that recommendations are being implemented in practice. A procedure is in place to escalate recommendations that have not been implemented as agreed to CMG and finally to this Committee where necessary.

5.0 Implications

Financial

- 5.1 There are minimal financial implications regarding the implementation of internal audit recommendations. Some audit recommendations are designed to improve value for money and financial control.

Human Resource/Training and Development

- 5.2 Some audit recommendations need officer resource to put in place.

Community Safety

- 5.3 There is a minimal impact on Community Safety.

Risk Management

- 5.4 Internal Audit identifies weaknesses in the control environment. Implementation of recommendations, therefore, improves the control environment and hence the management of risk.

Sustainability

- 5.5 There is minimal impact on sustainability issues.

Equalities

- 5.6 There is minimal impact on equalities issues.

Safeguarding

- 5.7 There is minimal impact on safeguarding issues.

REPORT ENDS

APPENDIX 1

CURRENT PROGRESS - 2020/21 PLAN

Audit	Progress	Assurance Opinion	Recommendations		
			High	Medium	Low
Quarter Two					
Safeguarding Children and Adults	Final	Satisfactory	-	2	1
Freedom Leisure – Contract Management	Final	Satisfactory	-	3	-
Planning Enforcement	Final	Satisfactory	-	2	2
Complaints	Final	Satisfactory	-	2	1
Procurement	Draft*	Satisfactory	-	3	-
Covid-19 Response	Draft*	N/A - Advisory	-	-	-
Quarter Three					
Private Sector Leasing	Draft*	Limited	-	9	4
Key Financial Systems	Final	N/A - Compliance	-	-	5
Treasury Management	Final	Satisfactory	-	1	-
Victoria Square – Change Control	Deferred	N/A	-	-	-
Payroll	Final	Substantial	-	-	-
Quarter Four					
Bringing Empty Homes Back into Use	In Progress		-	-	-
Affordable Housing Delivery	Draft*	Satisfactory	-	1	1
Community Infrastructure Levy	In Progress		-	-	-
Capital Programme	Deferred	N/A	-	-	-
Utilities and Energy Management	Draft*	Satisfactory	-	1	1
On-Street Parking	In Progress		-	-	-
Budgetary Control	Starts 22/02/2021		-	-	-
Risk Management	Starts 08/03/2021		-	-	-
Business Planning	Deferred	N/A	-	-	-
Economic Development	Draft*	Substantial	-	-	-
IT					
Capita Open Housing	Proposed May 2021		-	-	-
Remote Working Resilience/Security	Proposed May 2021		-	-	-
Total			0	24	15

* Draft reports currently awaiting management responses, which may lead to changes in content including assurance levels and/or recommendations

APPENDIX 2

OUTSTANDING HIGH PRIORITY RECOMMENDATIONS (PAST IMPLEMENTATION DATE)

Counter Fraud					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
1	<p>Fraud risk identification is essential in order to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the Council and its service users. Although it was apparent that staff involved in counter fraud work are aware of fraud risks facing the Council, how they may occur and how they should be managed, the Council has not undertaken a formal fraud risk assessment.</p> <p>Where a fraud risk assessment is not undertaken, the Council may not be directing its counter fraud activity at the areas of greatest risk. Without a risk assessment and also a low number of reported cases of fraud, this may provide a false impression on the prevalence of fraud.</p>	<p>A fraud risk assessment should be undertaken so as to provide a basis for prioritising counter fraud activity. The Council should use published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposure. This information should be used to evaluate the harm to the aims and objectives of the Council that different fraud risks may cause.</p> <p>The risk assessment should be reviewed periodically (at least annually) and reported to CMG.</p>	High	<p>Agreed. A Fraud risk assessment will be completed to inform future counter fraud work.</p> <p>November 2020: This has been delayed by the focus on responding to the Covid-19 pandemic. The Fraud team from Reigate and Banstead Borough Council are being engaged to assist the Council in undertaking this risk assessment.</p> <p>February 2021: It has not been possible to progress this work in the previously agreed revised timescale, however this will be made a priority over the next month.</p>	<p>31 March 2020</p> <p>Director of Finance</p> <p>Revised timescale: 30 June 2021</p>
2	<p>Organisations require a counter fraud strategy to set out their approach to managing fraud risks and defining responsibilities for action. Although the Council has an Anti-Fraud and Corruption Policy, a</p>	<p>A Counter Fraud and Corruption Strategy should be developed to address the fraud risks identified (see recommendation 1). The strategy should include a mixture of both proactive and reactive approaches that are best suited to addressing the Council's fraud and corruption risks.</p>	High	<p>Agreed, once the risk assessment (recommendation 1) has been completed, a Counter Fraud and Corruption Strategy will be prepared.</p> <p>November 2020:</p>	<p>30 June 2020</p> <p>Director of Finance</p>

Counter Fraud					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Counter Fraud and Corruption Strategy has not been developed setting out the Council's approach to managing the risk of fraud.</p> <p>The Local Government Transparency Code 2015 requires the annual publication of data relating to the Council's counter fraud work; however, we were unable to locate any transparency data related to fraud.</p> <p>Where the Council does not have a Counter Fraud and Corruption Strategy, actions, responsibilities and accountability may be unclear. As a result, the fraud risks the Council is exposed to may not be managed effectively.</p>	<p>Proactive and reactive components of a good practice response to fraud risk can be found in CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.</p> <p>The strategy should include clear identification of responsibility and accountability for delivery of tasks within the strategy, and also for providing oversight.</p> <p>A report should be prepared for CMG and the Standards and Audit Committee (or another suitable committee) at least annually on performance against the counter fraud strategy.</p> <p>The Council should also comply with the Local Government Transparency Code 2015 requirement to publish data relating to the Council's counter fraud work.</p>		<p>This has been delayed by the focus on responding to the Covid-19 pandemic. The Fraud team from Reigate and Banstead Borough Council are being engaged to assist the Council in developing an appropriate Strategy following completion of the risk assessment.</p> <p>February 2021:</p> <p>It has not been possible to progress this work in the previously agreed revised timescale, however this will be made a priority over the next month.</p>	<p>Revised timescale:</p> <p>30 June 2021</p>
Managing Agents					
3	<p>The Senior Estates Officer advised that currently there was one contract in place with Vail Williams (VW) out of the three managing agents audited, with two further contracts being updated but delayed due to Covid-19 for Property Initiatives and Churchod and Co.</p>	<p>The Council should ensure that contracts are in place for all of the managing agents. Contracts should include, amongst others, the following information:</p> <ul style="list-style-type: none"> • Which aspects of Health and Safety will be undertaken by the parties; • The level of reporting and monitoring expected to take place across the compliance programme; and, 	High	<p>In addition to the Vail Williams contract, which was completed during this audit, existing contracts are in place for other agents - Property Initiatives for Duke's Court and Curchod & Co for Morris House.</p> <p>These existing contracts do however need to be updated to include additional properties which have been taken on by</p>	<p>Senior Estates Officer</p> <p>31 December 2020</p>

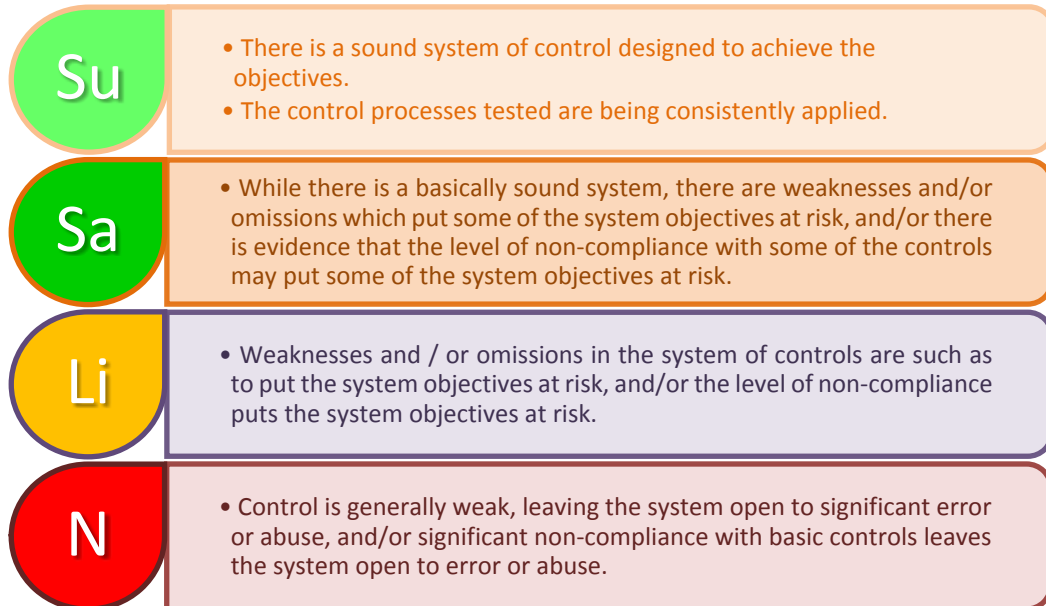
Counter Fraud					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	<p>Due to delays imposed by the Covid-19 pandemic and new remote working arrangements, the Vail Williams contract was signed during the audit fieldwork and a similar version will be used for the remaining agents.</p> <p>Due to the absence of a contract, the Council is reliant on the discretion of the managing agents to ensure that health and safety compliance is achieved.</p> <p>There is a risk that the contracting authority may be deemed not to have entered into a contract or that the exact terms and conditions of the contract are not known. Should things go wrong, it would not, therefore, be able to seek specific performance, damages, or other suitable remedies at the discretion of the Courts. In addition, there is no formal document which stipulates the roles and responsibilities of the managing agents concerning health & safety issues.</p> <p>Where roles and responsibilities are not adequately defined and communicated to the relevant officers and there is no means of confirming overall compliance, there</p>	<ul style="list-style-type: none"> Frequency of meetings, reports, and other contacts between the parties. <p>As well as the Contract, the Council should also develop a formal document outlining the roles and responsibilities relating to health and safety compliance and translate the points above into easily understood language.</p>		<p>these agents since their original appointment. New contracts for each agent are therefore being drafted to include all additional properties. These new contracts will be in the same form as the approved Vail Williams contract which contains the required information contained in this recommendation.</p> <p>December 2020:</p> <p>Amended contracts are in draft format for each managing agent. The original contracts have been updated to ensure that all new properties are included, and clear roles and responsibilities relating to health and safety and compliance (including deadlines for actions) are included.</p>	

Counter Fraud					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	is an increased risk that regulatory compliance is not adequately managed, and this may lead to the health and safety of staff and others being put at risk.				

APPENDIX 3

DEFINITIONS OF ASSURANCE

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:



Recommendation Gradings

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

