



## 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, 20 September 2018 at 7.00 pm in the Council Chamber, Civic Offices, Gloucester Square, Woking, Surrey GU21 6YL.

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](http://www.woking.gov.uk)). The images and sound recording will also be used for training purposes within the Council. Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, 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 19 July 2018 as published.

2. Apologies for Absence

To receive any apologies for absence.

3. Declarations of Interest

To receive declarations of disclosable pecuniary and other interests from Members in respect of any item to be considered at the meeting.

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 Determination**

5. Annual Audit and Inspection Letter (Pages 3 - 12)

Reporting Person – Chairman

6. Internal Audit Charter (Pages 13 - 24)  
Reporting Person – James Graham
7. Internal Audit Service Progress Update (Pages 25 - 30)  
Reporting Person – James Graham
8. Members' Code of Conduct (Pages 31 - 34)  
Reporting Person – Joanne McIntosh
9. Ombudsmen Complaints (Pages 35 - 42)  
Reporting Person – Joanne McIntosh

AGENDA ENDS

Date Published - 12 September 2018

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](mailto:doug.davern@woking.gov.uk)



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STANDARDS AND AUDIT COMMITTEE – 20 SEPTEMBER 2018

## ANNUAL AUDIT AND INSPECTION LETTER

### Executive Summary

The Council's external auditors, KPMG, have completed their work on the 2017/18 audit and have produced the Annual Audit letter which summarises the key findings.

The letter is a summary and update to the ISA260 report received in September. The audit opinions were received by the 31 July deadline.

As well as a summary of their conclusions it provides information on the reports issued and the 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**

- (i) the annual audit and inspection letter be received.

The Committee has the authority to determine the recommendation(s) set out above.
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**Background Papers:** None.

**Reporting Person:** Chairman

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

**Date Published:** 12 September 2018





# Annual Audit Letter 2017/18

Woking Borough Council

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August 2018

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## Report sections

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers ([andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This Annual Audit Letter summarises the outcome from our audit work at Woking Borough Council in relation to the 2017/18 audit year, which is the final year that KPMG is the auditor of the Authority.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

<p><b>Audit opinion</b></p>	<p>We issued an unqualified opinion on the Authority's financial statements on 30 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include the consolidated financial statements for Authority's Group, which consists of the Authority itself, Dukes Court Owner T.S.a.r.l, Woking Necropolis and Mausoleum Limited, Thameswey Ltd, and their subsidiaries.</p>
<p><b>Financial statements audit</b></p>	<p>Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £3M which equates to around 2% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. We report to the Standards and Audit Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £150K for the Authority.</p> <p>We identified no audit adjustments that impact the income and expenditure or net asset position.</p> <p>Our audit work was designed to specifically address the following significant risks:</p> <ul style="list-style-type: none"> <li>— Management Override of Controls – Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, did not identify any instances of management override of controls.</li> <li>— Valuation of PPE – The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority revalues all material properties on an annual basis and has adopted a rolling revaluation model for remaining items which sees all land and buildings revalued over a five year cycle. As a result individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. The valuation is undertaken as at 31 December 2017 and then updated to 31 March 2018. We reviewed the approach adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach. We assessed the indicators considered by the Authority's valuers to determine the whether the fair value of the assets not revalued in year had materially moved. We reviewed the movement in land and building valuation between 31 December 2017 and 31 April 2018 and assessed the judgement by the Authority with regard to these movements. As a result of our work we determined that the carrying values of the assets does not materially differ from the year end fair value.</li> </ul>

<p><b>Financial statements audit</b> <i>(continued)</i></p>	<ul style="list-style-type: none"> <li>Valuation of Investment Properties – The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority exercises judgement in determining the fair value of these assets and the methods used to ensure the carrying values recorded each year reflect those fair values. There is an inherent risk that some investment property assets may not have been revalued each year. We assessed the Authority’s approach to investment property valuation and confirmed that it is in line with CIPFA Code requirements. We confirmed that all investment properties were subject to valuation at year-end and we reviewed the accounting entries made to record the results of the revaluation to ensure that they were appropriate. No issues were identified as a result of our testing.</li> <li>Pension liabilities – The net pension liability represents a material element of the Authority’s balance sheet. The Authority is an admitted body of Surrey Pension Fund, which had its last triennial valuation as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. The valuation of the Local Government Pension Scheme relies on assumptions, most notably actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation. There is a risk that the assumptions and methodology used in the valuation of the Authority’s pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements. We reviewed the appropriateness of the key assumptions included in the valuation and compared them to expected ranges. We reviewed the methodology applied in the valuation by Hyman Robertson. No issues were identified as a result of our testing.</li> </ul>
<p><b>Other information accompanying the financial statements</b></p>	<p>Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. We reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.</p>
<p><b>Whole of Government Accounts</b></p>	<p>We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority’s pack was consistent with the audited financial statements.</p>
<p><b>Value for Money conclusion</b></p>	<p>We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2017-18 on 30 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources. To arrive at our conclusion we looked at the Authority’s arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>
<p><b>High priority recommendations</b></p>	<p>We raised no high priority recommendations as a result of our 2017-18 work.</p>
<p><b>Certificate</b></p>	<p>We issued our certificate on 30 July 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit &amp; Accountability Act 2014 and the Code of Audit Practice.</p>



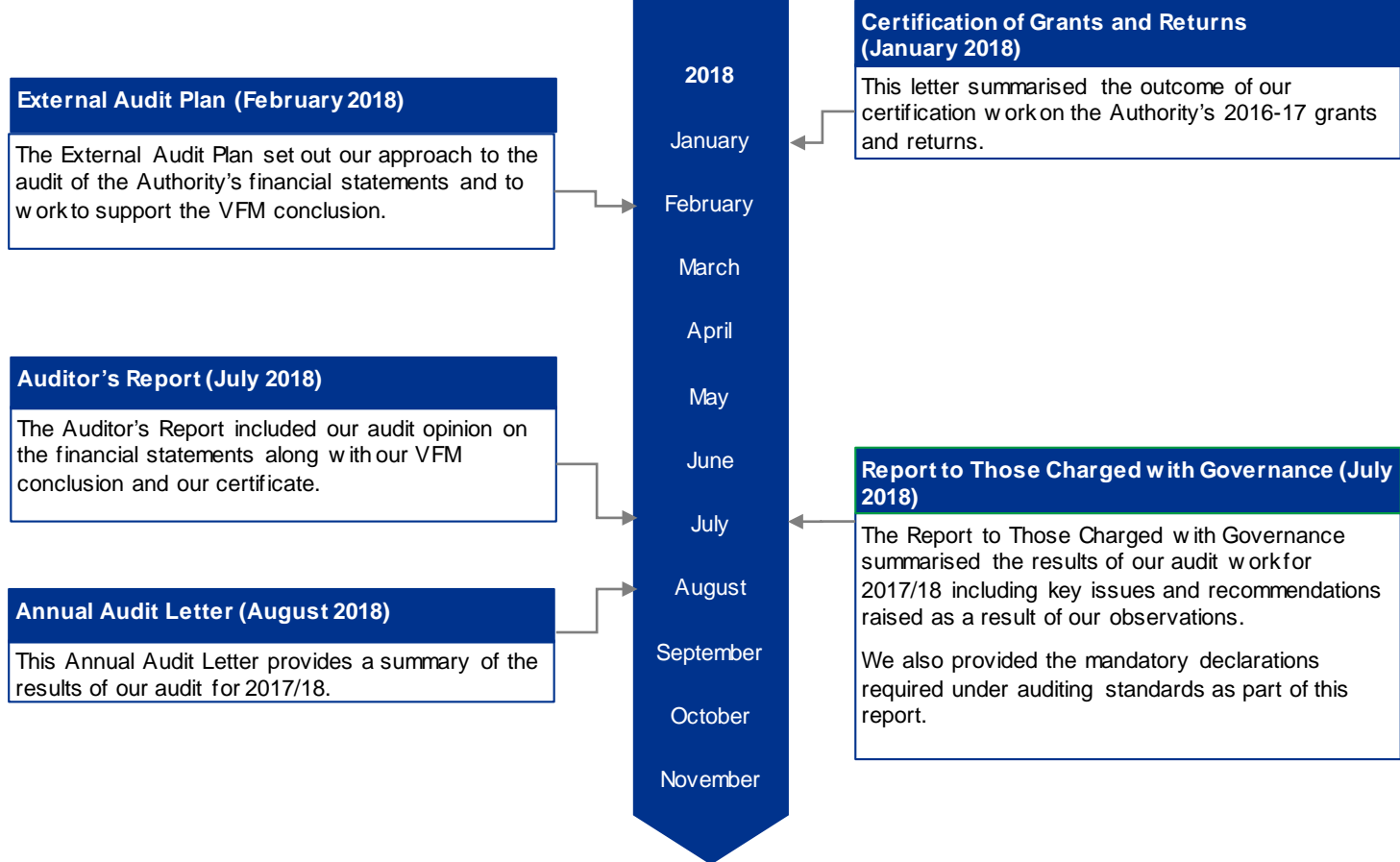
<b>Audit fee</b>	Our fee for 2017-18 was £54,702, excluding VAT (2016/17: £54,702). This fee was in line with that highlighted in our audit plan approved by the Standards and Audit Committee in 8 March 2018.
<b>Exercising of audit powers</b>	We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about. We have not identified any matters that would require us to issue a public interest report.

# Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Standards and Audit Committee pages on the Authority's website at [www.woking.gov.uk](http://www.woking.gov.uk).

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STANDARDS AND AUDIT COMMITTEE – 20 SEPTEMBER 2018

## INTERNAL AUDIT CHARTER

### Executive Summary

The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority and responsibility in accordance with UK Public Sector Internal Audit Standards (PSIAS). The charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Standards and Audit Committee; authorises access, to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities.

### Recommendations

The Committee is requested to:

#### **RESOLVE That**

- (i) The Internal Audit Charter is approved;

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

**Background Papers:** None.

**Reporting Person:** James Graham, Head of Internal Audit  
Email: james.graham@woking.gov.uk

**Contact Person:** Leigh Clarke, Finance Director  
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

**Date Published:** 12 September 2018

STA18-001

## **1.0 Introduction**

- 1.1 The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority and responsibility in accordance with UK Public Sector Internal Audit Standards (PSIAS). The charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Standards and Audit Committee; authorises access, to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities.
- 1.2 The Charter provides a framework for the conduct of the service and will be reviewed annually and presented to CMG and the Standards and Audit Committee for final approval.
- 1.3 The Charter can be found in appendix 1.

## **2.0 Implications**

### Financial

- 2.1 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

- 2.2 Some audit recommendations need resource to put in place.

### Community Safety

- 2.3 None.

### Risk Management

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

### Sustainability

- 2.5 There is minimal impact of sustainability issues.

### Equalities

- 2.6 There is minimal impact of equalities issues.

### Safeguarding

- 2.7 There is minimal impact of safeguarding issues.

REPORT ENDS

# Woking Borough Council

## Internal Audit Charter

September 2018



## Introduction

The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority and responsibility in accordance with UK Public Sector Internal Audit Standards (PSIAS). The charter establishes Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Standards and Audit Committee; authorises access, to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit's activities. It provides a framework for the conduct of the service and will be reviewed annually and presented to CMG and the Standards and Audit Committee for final approval.

The PSIAS also include a Mission for Internal Audit which is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

## Nature and Purpose

Woking Borough Council has developed a risk management framework which includes:

- Identification of the significant risks in the Authority's operations and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Periodic reviews by the Corporate Management Group of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the Authority's risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

Woking Borough Council's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Authority's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the Authority to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Corporate Management Group.

The Authority needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the Authority's business - these including Members, regulators etc. There are also many assurance providers. The internal audit function is the third line of defence in the Council's 'three lines of defence approach' to risk and assurance. The first line of defence comprises the Council's core operational services, and the second line comprises the oversight functions such as risk management.



Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

In a local authority, Internal Audit provides independent and objective assurance to the organisation, its Members, the Chief Executive, the Corporate Management Group, and in particular to the Chief Finance Officer to help them discharge their responsibilities relating to the proper administration of the Authority's financial affairs under S151 of the Local Government Act 1972.

In addition, the Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy and effectiveness of the Authority's governance, risk management and internal control systems.

In particular, Internal Audit carries out assurance and consulting activities across all aspects of Woking Borough Council's business, based on a programme agreed with the Standards and Audit Committee. In doing so, Internal Audit works closely with the Authority's risk owners, service line risk teams, and the Corporate Management Group.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the Authority's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Corporate Management Group and management in the service lines.

The independent assurance provided by Internal Audit also assists the Authority to report annually on the effectiveness of the system of internal control included in the Authority's Annual Governance Statement.

### **Authority and Access to Records, Assets and Personnel**

Internal Audit has unrestricted right of access to all Authority records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter Authority property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Authority should be set out in the conditions of funding.

Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the Standards and Audit Committee.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities.

Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

### Responsibility

The Authority's Head of Internal Audit is required to provide an annual opinion to the Authority and to the Chief Finance Officer and the Chief Executive, through the Standards and Audit Committee, on the adequacy and the effectiveness of the Authority's risk management, control and

- Coordinate assurance activities with other assurance providers (such as the external auditors, the auditors of the Authority's Quality Management, Environmental Management and Information Security accreditations etc.) such that the assurance needs of the Authority, regulators and other stakeholders are met in the most effective way.
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.
- Carry out assurance and consulting activities across all aspects of the Authority's business based on a risk-based plan agreed with the Standards and Audit Committee.
- Provide the Chief Finance Officer, Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports to the Standards and Audit Committee and the Corporate Management Group summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the Authority to aid the prevention and detection of fraud.
- Assist in the investigation of allegations of fraud, bribery and corruption within the Authority and notifying management and the Standards and Audit Committee of the results.
- Assess the adequacy of remedial action to address significant risk and control issues reported to the Standards and Audit Committee. Responsibility for remedial action in response to audit findings rests with line management.

governance processes. In order to achieve this, Internal Audit will:

Definition	Details	Responsibility in relation to Internal Audit
<p>The Standards and Audit Committee</p>	<p>To oversee the financial reporting, risk management, audit and internal control arrangements of the Council to assure the Council and residents that resources are properly managed and high standards of financial probity are maintained.</p>	<p>To consider the Head of Internal Audit's annual report and opinion and the level of assurance it can give over the Council's governance arrangements.</p> <p>To review internal audit reports and other evidence of the Council's risk management and internal control systems.</p> <p>Report to Council when necessary to give assurances about the Council's financial statements, risk management and internal control mechanisms or to raise concerns of any significant weakness.</p>
<p>Chief Officers</p>	<p>The Chief Executive has overall corporate management and operational responsibility (including overall management responsibility for all officers) together with specific operational responsibility for services identified in Part 3 of the Constitution 'Responsibility for Functions, Management Arrangements and Scheme of Delegations'. The Corporate Directors have overall strategic and operational management of those services falling within their responsibility.</p>	<p>Corporate Management Group liaise with Internal Audit to agree the Annual Internal Audit Plan.</p>

	The Executive has responsibility for risk management	
S151 Officer	To exercise the functions of the S151 Officer, including proper administration of the Council's financial affairs under S115 and S151 of the Local Government Act 1972 and S114 of the Local Government Finance Act 1988. Ensuring lawfulness and financial prudence of decision making, contributing to corporate management, providing advice and giving financial information.	Deal with Internal Audit issues under the Accounts and Audit Regulations 2015.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work. Unless specifically requested and agreed, Internal Audit will not perform substantive testing of underlying transactions.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to the Authority's policies and standards and will monitor whether such measures are implemented on a timely basis.

Where appropriate, Internal Audit will undertake assurance or consulting activities for the benefit of the Authority in organisations wholly owned or controlled by the Authority. Internal Audit may also provide assurance to the Authority on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

The Standards and Audit Committee is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

### Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the Authority's governance, risk management and control processes using a systematic and disciplined approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting the Authority in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to the Authority's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

### Reporting

For each engagement, Internal Audit will issue a report to the appropriate Audit Contact and Chief Finance Officer or their nominee, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Corporate Management Group and the Standards and Audit Committee.

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Charter is reported to the Corporate Management Group. It is then presented to the Standards and Audit Committee annually for formal approval.
- The annual risk-based plan is compiled by the Head of Internal Audit taking account of the Authority's risk management framework and after input from members of the Corporate Management Group. It is then presented to the Corporate Management Group and Standards and Audit Committee annually for comment.
- The internal audit budget is reported to Executive and Full Council for approval annually as part of the overall Authority budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Standards and Audit Committee.
- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Corporate Management Group and Standards and Audit Committee on a quarterly basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the Standards and Audit Committee.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Corporate Management Group and the Standards and Audit Committee and will be included in the annual Head of Internal Audit report. If there is significant non-conformance, this may be included in the Authority's Annual Governance Statement.

## Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Executive;
- Chief Finance Officer;
- Monitoring Officer;
- Chair of the Standards and Audit Committee; and
- Any other member of the Corporate Management Group.

The independence of the contracted Head of Internal Audit is further safeguarded as his/her annual appraisal is not inappropriately influenced by those subject to internal audit.

To ensure that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via a tailored 'My Compliance Responsibilities' portal which includes personal deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Standards and Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

## External Auditors

The External Auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the External Auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit will follow up the implementation of internal control issues raised by External Audit.

Internal Audit and External Audit liaise periodically to:

- Plan the respective internal and external audits;
- Discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

## Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Authority Policies and Procedures; and
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor. An external assessment was carried out in November 2016 which concluded that Mazars Public Services conforms to the requirements of the Public Internal Audit Standards and the Local Government Application Note.

A programme of Continuous Professional Development CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. The Head of Internal Audit is required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

Approved by the Standards and Audit Committee on XX XXX 2018



STANDARDS AND AUDIT COMMITTEE – 20 SEPTEMBER 2018

## INTERNAL AUDIT PROGRESS REPORT

### Executive Summary

Financial Regulation 2.8 requires that the Chief Finance Officer shall report regularly to the Standards and Audit Committee on the work undertaken by Internal Audit. This report is accordingly submitted to the Committee for consideration.

This report covers audit activity and performance from April to September 2018.

### Recommendations

The Committee is requested to:

**RESOLVE That** the report be received and progress against the 2018-19 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.

**Reporting Person:** James Graham, Head of Internal Audit  
Email: james.graham@woking.gov.uk

**Contact Person:** Leigh Clarke, Finance Director  
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

**Date Published:** 12 September 2018

**1.0 Introduction**

- 1.1 Financial Regulation 2.8 requires that the Chief Finance Officer shall report regularly to the Standards and Audit Committee on the work undertaken by Internal Audit. This report covers audit activity and performance from 1 April to 12 September 2018.
- 1.2 The Standards and Audit Committee approved the 2018/19 Internal Audit Plan on 8 March 2018.
- 1.3 The purpose of this report is to outline the following in respect of Internal Audit Activity during the period:
  - A description of key audit issues and also of non-audit activity undertaken during the year;
  - details of reports issued during the period;
  - a list of reports in progress as at 12 September 2018.
  - any major (ie. high risk) recommendations made in Internal Audit reports issued between 1 April and 21 September 2018; and
  - an update on all recommendations that remain outstanding for implementation.

**2.0 Internal Audit Activity 1 April to 12 September 2018**

- 2.1 Table 1 below provides a summary of progress in terms of the number of reports at draft or final stage and those in progress, as at 7 September:

Table 1

<b>Audit Status</b>	<b>Number of reviews</b>	<b>Percentage Completion</b>
Finalised	0	0
Draft	4	21
In Progress	4	21
To be undertaken	11	58
Deferred to 18/19	0	0
<b>Total</b>	<b>19</b>	<b>100</b>

- 2.2 Table 1 above illustrates that 21% of the plan has been delivered to at least draft report stage as at 7 September, with a further 21% of the plan in progress. A further 6 audits (32% are currently in the process of being scoped and scheduled in to start before the end of December 2018)
- 2.3 All audits are expected to be completed to at least draft stage by the end of March 2018. No audits have been deferred to 2018/19.
- 2.4 The table below shows the status of all audits on the 2018/19 plan, including the reviews carried forward from 2017/18:

<b>Audit Title</b>	<b>Audit Status</b>	<b>Recommendations by Priority</b>		
		<b>High</b>	<b>Medium</b>	<b>Low</b>
Grants to Voluntary Organisations	Draft report issued	-	-	-

**Internal Audit Charter**

Community Safety	In progress	-	-	-
Homelessness	Planning in progress	-	-	-
HMO and Selective Housing Licensing	Planning in progress	-	-	-
New Vision Homes Contract Management	Planning in progress	-	-	-
Building Control	-	-	-	-
Emergency Planning	Draft report issued	-	-	-
Asset Management	Planning in progress	-	-	-
Air Quality Monitoring and Management	Planning in progress	-	-	-
Freedom of Information Requests	Planning in progress	-	-	-
Key Financial Control Testing - AP, AR, GL,	Draft report issued	-	-	-
Sheerwater Regeneration Governance	In progress	-	-	-
Group Companies	Planning in progress	-	-	-
Business Continuity	-	-	-	-
Supplier Resilience	Draft report issued	-	-	-
HR	-	-	-	-
IT Strategy	-	-	-	-
SekCheck (Windows OS Network Management)	Draft report issued	-	-	-
Application Audit (TBC)	-	-	-	-

Carried Forward from  
2017/18

GDPR	In Progress	-	-	-
Commercial Property Estate	Draft Report Issued	-	-	-
Victoria Square Development	In Progress	-	-	-

- 2.5 Internal Audit categorise recommendations as high, medium or low risk to differentiate between the types of recommendation made. This gives management an indication on the urgency of implementing the suggested control or cost saving measure.
- 2.6 Recommendation classifications are:
- **High risk** – fundamental absence/failure of key control procedures (e.g. breach of legislation, council policies or procedures), immediate action required.
  - **Medium risk** – inadequate management of key risks. Control procedures are in place but are not working effectively. Action is necessary to avoid exposure to risk.
  - **Low risk** – actions merit attention to enhance the control environment, i.e. action is considered desirable.
- 2.7 There were no high risk recommendations made in final reports issued between 30 June 2017 and 07 September 2018 and no negative assurance final reports issued.

### 3.0 Follow Ups

- 3.1 All recommendations are entered onto an improvement plan in Shikari. The Shikari system automatically reminds managers when recommendation due dates are approaching (note: the target dates are set by managers themselves, not by Internal Audit) and again when the implementation date has been missed. Managers update progress on the system and close down the recommendations on the system once implemented.
- 3.2 Internal Audit use system generated reports to monitor levels of implementation. This is supplemented by spot checks in the business area concerned 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.
- 3.3 As at 12 September, there are 12 outstanding recommendations (ie. the recommendations are past their agreed implementation dates), of which none are classified as high risk.
- 3.4 New recommendations will be agreed as the draft reports detailed in Table 2 are finalised. It is important that these are implemented within the agreed timescales to ensure that the position reported in 3.3 above is either maintained or improved upon.
- 3.5 Outstanding recommendations are regularly reported to CMG. In addition, recommendations are routinely followed up as part of our audit work.

### 4.0 Implications

#### Financial

- 4.1 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

- 4.2 Some audit recommendations need resource to put in place.

#### Community Safety

- 4.3 There is minimal impact other than the Community Safety internal audit which is in progress.

Risk Management

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

Sustainability

- 4.5 There is minimal impact of sustainability issues.

Equalities

- 4.6 There is minimal impact of equalities issues.

Safeguarding

- 4.7 There is minimal impact of safeguarding issues.

REPORT ENDS



## STANDARDS AND AUDIT COMMITTEE - 20 SEPTEMBER 2018

### MEMBERS' CODE OF CONDUCT

#### Executive Summary

This report advises the Committee of (i) complaints, submitted under the Members' Code of Conduct, received by the Monitoring Officer between 1 August 2017 and 31 July 2018 and (ii) seeks the Committee's views on a proposed Protocol for Members submitting complaints under the Members' Code of Conduct.

#### Recommendations

The Committee is requested to:

##### **RESOLVE That**

the report detailing the complaints, submitted under the Members' Code of Conduct, received by the Monitoring Officer between 1 August 2017 and 31 July 2018 be noted.

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

**Background Papers:** None.

**Reporting Person:** Joanne McIntosh, Legal Services Manager/Deputy Monitoring Officer  
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**Contact Person:** Joanne McIntosh, Legal Services Manager/Deputy Monitoring Officer  
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**Date Published:** 12 September 2018

### 1.0 Introduction

- 1.1 The Arrangements for Dealing with Standards Allegations under the Localism Act 2011, adopted by the Council, provide for the Monitoring Officer to submit an annual report to the Standards and Audit Committee with appropriate details of complaints received.
- 1.2 This report (i) details complaints received by the Monitoring Officer between 1 August 2017 and 31 July 2018 and (ii) seeks the Committee's views on a proposed Protocol for Members submitting complaints under the Members' Code of Conduct.

### 2.0 Complaints Received

- 2.1 The Monitoring Officer received seven complaints between 1 August 2017 and 31 July 2018.
- 2.2 On 15 August 2017, a member of the public complained that Councillor 1 acted outside his duties as a ward councillor when attending a meeting, at a resident's house, to discuss a planning matter. The Deputy Monitoring Officer found that there was no evidence (direct or circumstantial) to support the allegation. The complaint did not merit formal investigation, so no further action was taken in respect of it.
- 2.3 On 25 August 2017, Councillor 2 complained that Councillor 3 had made an offensive and inappropriate gesture towards him at a Council meeting. The Monitoring Officer concluded that Councillor 3's gesture fell well within the bounds of reasonableness. The complaint did not merit formal investigation, so no further action was taken in respect of it.
- 2.4 On 26 September 2017, an applicant for planning permission complained that Councillor 4 acted improperly in considering his planning application at the Planning Committee. The Monitoring Officer found that there was no evidence (direct or circumstantial) to support the allegation. The complaint did not merit formal investigation, so no further action was taken in respect of it.
- 2.5 On 29 September 2017, a member of the public complained that Councillor 4 had given him/her misleading advice on his/her partner's driving licence and residency status. The Monitoring Officer found that Councillor 4 was not acting in his/her role as a Member in his/her dealings with the member of the public. The Members' Code of Conduct did not apply, so the Monitoring Officer had no jurisdiction to consider the complaint. No further action was taken in respect of it.
- 2.6 On 6 March 2018, Councillor 5 complained that Councillor 6 did not act with due diligence when dealing with matters affecting a joint venture company in which the Council had an interest. The Monitoring Officer found that the complaint lacked justification, so no further action was taken in respect of it.
- 2.7 On 26 March 2018, Councillor 5 complained that Councillor 7 withheld information from the Council when Council was deciding a matter. The Monitoring Officer found that there was no reasonable basis on which the complaint could be supported, so no further action was taken in respect of it.
- 2.8 On 18 April 2018, a member of the public complained that Councillor 1 had not properly commented on a planning application when it was determined at the Planning Committee. The Monitoring Officer found that Councillor 1's comments were appropriate, so no further action was taken in respect of the complaint.



**3.0 Protocol for Members Submitting Complaints**

- 3.1 The adopted Arrangements for Dealing with Standards Allegations under the Localism Act 2011 detail how complaints against Members will be dealt with by the Council. Until recently, the Arrangements provided a sufficient framework for dealing with complaints. However, there is a need to ensure that the consideration and determination of a complaint is not prejudiced by comments made to the media. This is a particular risk if the complaint is submitted by a Member, and that Member makes the comments.
- 3.2 The Monitoring Officer is proposing to draft a protocol to address this matter. The Committee is invited to give its preliminary views on what might be included in the Protocol. Comments will also be invited from all Councillors after the meeting of the Committee. Following this consultation, the Monitoring Officer will report back to the Committee on 29 November 2018.

**4.0 Implications**

Financial

- 4.1 None.

Human Resource/Training and Development

- 4.2 None.

Community Safety

- 4.3 None.

Risk Management

- 4.4 None.

Sustainability

- 4.5 None.

Equalities

- 4.6 None.

REPORT ENDS



## STANDARDS AND AUDIT COMMITTEE – 20 SEPTEMBER 2018

### OMBUDSMEN COMPLAINTS

#### Executive Summary

The Committee is responsible for the oversight of payments in cases of maladministration which are neither disputed nor significant (which are dealt with by the Monitoring Officer).

This report provides details of recent complaints to the Local Government & Social Care Ombudsman and the Housing Ombudsman.

#### Recommendations

The Committee is requested to:

**RESOLVE That** the position regarding complaints to the Local Government & Social Care Ombudsman and the Housing Ombudsman be noted.

**The Committee has authority to determine the above recommendations.**

**Background Papers:** None which are public.

**Reporting Person:** Joanne McIntosh, Legal Services Manager/Deputy Monitoring Officer  
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**Date Published:** 12 September 2018

### 1.0 Introduction

- 1.1 The Council's Constitution provides for the Standards and Audit Committee to have "oversight of payments in cases of maladministration which are neither disputed nor significant (which are dealt with by the Monitoring Officer)." Full Council retains responsibility for "disputed/significant payments in cases of maladministration".
- 1.2 At its meeting on 7 July 2016, the Committee asked for an annual report on Ombudsmen complaints. The Local Government & Social Care Ombudsman provides Councils with an Annual Review letter in July each year. It is, therefore, sensible for the annual report to be submitted to the September meeting of the Committee.

### 2.0 Ombudsmen

- 2.1 The Council is subject to the oversight of two Ombudsmen, the Housing Ombudsman and the Local Government & Social Care Ombudsman.
- 2.2 The Housing Ombudsman considers complaints arising from the provision of housing by the Council if the complainant is not satisfied with the outcome of New Vision Homes/the Council's consideration of the complaint.
- 2.3 The Local Government & Social Care Ombudsman considers complaints arising from the provision of other, non-housing, services by the Council if the complainant is not satisfied with the outcome of the Council's consideration of the complaint.

### 3.0 Complaints Submitted to the Ombudsmen

- 3.1 A copy of the 2018 Annual Review letter from the Local Government & Social Care Ombudsman is appended to this report. This details (i) the complaints and enquiries received by the Ombudsman and (ii) the decisions made by him for the year ended 31 March 2018.
- 3.2 It can be seen from the Annual Review letter that the Council was the subject of twelve complaints and enquiries to the Ombudsman, with the Ombudsman deciding twelve cases during the period concerned (note:- the twelve decisions do not all relate to the twelve complaints). No complaints were the subject of a finding of maladministration by the Ombudsman.
- 3.3 The Housing Ombudsman does not issue an Annual Review letter. This report, therefore, details cases referred to the Housing Ombudsman since those referred to in last year's annual report, i.e. the period between 1 September 2017 and 31 August 2018. There were two complaints to the Housing Ombudsman during this period. One related to a water leak, where the Housing Ombudsman confirmed that there was no maladministration by the Council. The other complaint relates to anti-social behaviour, and is being considered by the Housing Ombudsman.

### 4.0 Conclusions

- 4.1 Although it would be preferable for there to be no complaints to the Ombudsmen, this is never going to happen due to (i) the varied nature of the services provided by the Council and (ii) the number of recipients of those services. That said, the number of complaints reported is not disproportionate and it is noteworthy that no complaints resulted in adverse findings against the Council. There are no matters of concern which the Monitoring Officer needs to bring to the attention of the Committee

**5.0 Implications**

Financial

5.1 None.

Human Resource/Training and Development

5.2 None.

Community Safety

5.3 None.

Risk Management

5.4 None.

Sustainability

5.5 None.

Equalities

5.6 None.

REPORT ENDS



18 July 2018

*By email*

Ray Morgan  
Chief Executive  
Woking Borough Council

Dear Ray Morgan,

### **Annual Review letter 2018**

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) about your authority for the year ended 31 March 2018. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

### **Complaint statistics**

In providing these statistics, I would stress that the volume of complaints does not, in itself, indicate the quality of the council's performance. High volumes of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Low complaint volumes can be a worrying sign that an organisation is not alive to user feedback, rather than always being an indicator that all is well. So, I would encourage you to use these figures as the start of a conversation, rather than an absolute measure of corporate health. One of the most significant statistics attached is the number of upheld complaints. This shows how frequently we find fault with the council when we investigate. Equally importantly, we also give a figure for the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. Both figures provide important insights.

I want to emphasise the statistics in this letter reflect the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

### **Future development of annual review letters**

Last year, we highlighted our plans to move away from a simplistic focus on complaint volumes and instead turn focus onto the lessons that can be learned and the wider improvements we can achieve through our recommendations to improve services for the many. We have produced a new corporate strategy for 2018-21 which commits us to more comprehensively publish information about the outcomes of our investigations and the occasions our recommendations result in improvements to local services.

We will be providing this broader range of data for the first time in next year's letters, as well as creating an interactive map of local authority performance on our website. We believe this will lead to improved transparency of our work, as well as providing increased recognition to the improvements councils have agreed to make following our interventions. We will therefore be seeking views from councils on the future format of our annual letters early next year.

### **Supporting local scrutiny**

One of the purposes of our annual letters to councils is to help ensure learning from complaints informs scrutiny at the local level. Sharing the learning from our investigations and supporting the democratic scrutiny of public services continues to be one of our key priorities. We have created a dedicated section of our website which contains a host of information to help scrutiny committees and councillors to hold their authority to account – complaints data, decision statements, public interest reports, focus reports and scrutiny questions. This can be found at [www.lgo.org.uk/scrutiny](http://www.lgo.org.uk/scrutiny) I would be grateful if you could encourage your elected members and scrutiny committees to make use of these resources.

### **Learning from complaints to improve services**

We share the issues we see in our investigations to help councils learn from the issues others have experienced and avoid making the same mistakes. We do this through the reports and other resources we publish. Over the last year, we have seen examples of councils adopting a positive attitude towards complaints and working constructively with us to remedy injustices and take on board the learning from our cases. In one great example, a county council has seized the opportunity to entirely redesign how its occupational therapists work with all of its districts, to improve partnership working and increase transparency for the public. This originated from a single complaint. This is the sort of culture we all benefit from – one that takes the learning from complaints and uses it to improve services.

### **Complaint handling training**

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2017-18 we delivered 58 courses, training more than 800 people. We also set up a network of council link officers to promote and share best practice in complaint handling, and hosted a series of seminars for that group. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Yours sincerely,



Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England



**Local Authority Report:** Woking Borough Council  
**For the Period Ending:** 31/03/2018

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	2	2	0	1	2	1	4	0	12

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## Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
1	0	6	1	4	0	0%	12

### Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.  
 The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

### Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
0	0

