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To: MEMBER OF THE AUDIT & SCRUTINY COMMITTEE
Councillors Langton (Chair), Allen (Vice-Chair), Bloore,
Crane, Davies, Dennis, Flower, Gray, O'Driscoll and
C.White

for any enquiries, please contact:
customerservices@tandridge.gov.uk
01883 722000

Substitute Councillors: Botten, Cooper, Pursehouse and
N.White

C.C. All Other Members of the Council

30 June 2021

Dear Sir/Madam

AUDIT & SCRUTINY COMMITTEE THURSDAY, 8TH JULY, 2021 AT 7.30 PM

The agenda for this meeting of the Committee to be held in the Council Chamber, Council Offices, Station Road East, Oxted is set out below. If a member of the Committee is unable to attend the meeting, please notify officers accordingly.

Available seating in the public gallery will be limited due to social distancing requirements and any members of the public who wish to attend should email democraticservices@tandridge.gov.uk in advance. Unfortunately, in the current circumstances, we may not be able to accommodate all requests to attend in person. However, the meeting will be webcast and can be viewed via the Council's website. The can be viewed live and as a recording after the meeting.

Should members require clarification about any item of business, they are urged to contact officers before the meeting. In this respect, reports contain authors' names and contact details.
Yours faithfully,

David Ford
Chief Executive

AGENDA

1. **Apologies for absence (if any)**
2. **Declarations of interest**
3. **Minutes of the meeting held on the 30th March 2021** (Pages 3 - 8)
To confirm as a correct record.
4. **Minutes of the meeting held on the 27th May 2021** (Pages 9 - 10)
To confirm as a correct record.
5. **To deal with any questions submitted under Standing Order 30**
6. **Internal Audit progress report (2020/21)** (Pages 11 - 26)
7. **External Audit plan update** (Pages 27 - 44)

8. **Counter fraud - Council Tax fraud report** (Pages 45 - 50)
9. **Complaints update** (Pages 51 - 58)
10. **Policy Committees' Quarter 4 20/21 Exception Performance Report** (Pages 59 - 64)
11. **Verbal update from Surrey Police on crime levels and anti-social behaviour in the Tandridge District**
12. **Any other business which, in the opinion of the Chair, should be considered as a matter of urgency**

TANDRIDGE DISTRICT COUNCIL

AUDIT & SCRUTINY COMMITTEE

Minutes and report to Council of the virtual meeting of the Committee held on the 30 March 2021 at 7.30pm.

PRESENT: Councillors Bourne (Chair), Allen (Vice Chair), Bloore, Davies and Dennis

ALSO PRESENT: Councillors Farr, Mills, Swann and N.White

IN ATTENDANCE: Natalie Jerams and Neil Pitman (Southern Internal Audit Partnership)
Laura Rogers and Ben Sheriff (Deloitte LLP)

313. MINUTES OF THE MEETING HELD ON THE 28TH JANUARY 2021

These were confirmed as a correct record.

314. INTERNAL AUDIT PROGRESS REPORT - MARCH 2021

Natalie Jerams presented a report which provided an overview of:

- (i) audit activity against assurance work completed in accordance with the approved audit plan for 2020/21; and
- (ii) outstanding management actions.

The report confirmed that the 'Development Management' audit had been removed from the 2020/21 plan, pending a peer review by the Planning Advisory Service (PAS). The Committee was advised that the PAS review was in progress and that the findings were expected by the 9th April 2021.

Officer update on outstanding actions

A schedule regarding (ii) above, with Executive Leadership Team updates regarding each action in respect of the following audits was discussed (the schedule had been circulated to committee members prior to the meeting):

- **Procurement**

Work to initiate Contract Standing Order (CSO) waivers for expenditure that does not comply with CSOs is ongoing and would be addressed as part of the Procurement Improvement Programme.

- **HR policies and procedures**

A staff handbook had been completed and it was hoped to have detailed processes and guidelines in place by the end of June 2021.

- **Payroll / Authorisation and check controls**

A consequent review of Financial Regulations had begun. The Acting Chief Executive confirmed that dual controls for payroll functions had always been in place and that there was never a risk of a 'single point of failure'. In response to a request from the Chair, SIAP undertook to clarify the reported audit observation that the management action related to.

- **Customer First**

The newly appointed Programme Management Officer would be co-ordinating the necessary management actions arising from this audit and a further update would be provided at the 8th July 2021 meeting. The corporate skills audit was almost complete.

- **IT / Disaster Recovery and Business Continuity**

It was confirmed that SIAP would be reporting to the 8th July 2021 meeting regarding their 'follow up' review of management actions agreed via the original audit. Officers explained that the progress of Disaster Recovery action is on-track, although a revised date of completion (Summer 2021) was required due to the complexity of implementation. Consequently, a specific testing plan had not yet been scoped. In addition, officers clarified that, while processes were in place for recovering data from routine IT system failures, this audit addressed challenges associated with major unforeseen incidents such as the destruction of the Council Offices.

- **Accounts Receivable and Debt Management**

Following the transfer of the 'accounts receivable' function to the Finance team, a consultant would be engaged to help optimise the Council's use of the Agresso system and to help produce an action plan identifying training needs; opportunities for immediate process improvements; and the scope for investing in the service to achieve longer term benefits.

RESOLVED – that the report be noted.

315. INTERNAL AUDIT PLAN – 2021-22 / 2023-24

An Internal Audit plan for the three years 2021/22 to 2023/24 was presented. The plan comprised the scope of each proposed audit; the year in which it was due to take place; links to the Council's corporate risk register if applicable; and reference to any previous internal audit coverage. SIAP had allocated 190 days for the delivery of the plan which was 20 more than the contracted allocation.

Natalie Jerams advised that the audit plan had been developed in consultation with the Executive Leadership Team and that, consequently, it was expected that the relevant officers would be made available to support SIAP with each audit. However, it was not possible to generalise about the percentage of officer time required for this purpose.

Officers confirmed that work was in progress regarding the Corporate Improvement Plan (the implementation of which was due to be audited in 2023/24) and that different aspects of that plan would be relevant for other SIAP audits to be undertaken during the next three years.

Natalie Jerams explained that some audits did not relate directly to the Council's corporate risk register, although the Chair suggested that the outcome of such audits could, in themselves, identify a need for previously unforeseen risks to be added to the register.

RESOLVED – that the Internal Audit Plan, attached at Appendix A to the report, be approved.

316. INTERNAL AUDIT CHARTER – 2021/22

This Charter defined the internal audit activity's purpose, authority and responsibility. It established the role of internal audit within the Council and was presented to the Committee for approval in accordance with the Public Sector Internal Audit Standards. Neil Pitman explained that there were no changes from the 2020/21 Charter.

RESOLVED – that the Internal Audit Charter for 2021/22, attached at Appendix A to the report, be approved.

317. EXTERNAL AUDIT 19/20 FINAL AS260 REPORT AND THE 20/21 ACCOUNTS AUDIT PLAN

Ben Sheriff advised that there were two outstanding issues for Deloitte to resolve before the Council's 2019/20 statement of accounts could be finalised. He confirmed that he would endeavour to achieve sign-off within the next two weeks.

Ben Sheriff also presented Deloitte's planning report for the 2020/21 audit. He highlighted the following issues of concern which would add to the complexity of the audit:

- (i) the ongoing impact of the pandemic; and
- (ii) the revised Code of Audit Practice 2020 and related guidance which would require Deloitte to undertake additional work, including:
 - the need to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against relevant reporting criteria (i.e. financial sustainability; governance; and improving economy, efficiency and effectiveness); and
 - the production of an 'auditor's annual report' in place of the previous 'annual audit letter'.

It was confirmed that the Government required local authorities to have audited 2020/21 accounts approved by the 30th September 2021. Members expressed reservations about whether that deadline could be achieved given the above-mentioned delay regarding the 2019/20 accounts. Ben Sheriff acknowledged the challenging timescale but considered that, in certain respects, Deloitte would be better prepared for the next audit. The Chief Finance Officer advised that she would pursue an action plan (following a debrief with Deloitte) for meeting the deadline and confirmed that a report in this matter would be submitted to the Committee on the 8th July 2021.

Ben Sheriff explained the process for setting external audit fees and referred to the possibility of significant fee increases as highlighted within the report. Deloitte's subsequent charges in light of the overrun in auditing the 2019/20 accounts would be discussed with the Chief Finance Officer in due course.

In response to questions from Members, both Ben Sheriff and the Chief Finance Officer explained the challenges being encountered throughout the whole local authority sector regarding the provision of audit services. In this respect, the Chief Finance Officer referred to the recent independent report (by Sir Tony Redmond) into "*the effectiveness of external audit and transparency of financial reporting in local authorities*".

RESOLVED – that the 2020/21 External Audit plan, attached at Appendix A to the report, be noted.

318. ANTI FRAUD BRIBERY AND CORRUPTION POLICY

The Committee was invited to approve an updated version of this policy (last reviewed in 2017) which identified the Council's arrangements for the prevention, detection and investigation of fraud, bribery and corruption. The changes to the previous version included:

- definitions of fraud, bribery, corruption, money laundering, theft and whistle blowing;
- a commitment to a stronger anti-fraud culture;
- identification of officer and councillor responsibilities;
- methods of deterrence and prevention
- guidelines regarding gifts and hospitality for both officers and Members
- guidelines for reporting concerns
- details regarding the methods of investigation
- sanctions and redress
- the need to guard against the possibility of defamation when investigating allegations of fraud etc
- the fact that the Monitoring Officer would report to the Committee on a bi-annual basis concerning relevant issues and activities in connection with the policy.

The Chair proposed amendments to paragraphs 3.5 and 8.15 of the policy. These were agreed as per the resolution below.

The Chair also referred to paragraph 4.6 of the policy which ended, "*Each Councillor is responsible for ... familiarising themselves with any relevant codes, protocols, policies and procedures.*" He questioned the fact that these documents are not readily available to Members who, unlike staff, do not have access to an intranet or IT hub. The Committee was advised that, as an initial solution, the documents could be uploaded to the publicly accessible library section of the Council's Modern.Gov web pages.

RESOLVED – that, subject to the following amendments, the new Anti-Fraud, Bribery and Corruption Policy, attached at Appendix A to the report, be adopted:

Paragraph 3.5

“Where fraud and corruption has occurred ~~because~~ despite of existing procedures, arrangements will be made to ensure that the appropriate improvements are introduced to prevent a reoccurrence.”

Paragraph 8.15

“All completed investigations will be reported to the Audit & Scrutiny Committee and may be taken into account when assessing the overall governance arrangements as part of the completion of the Annual Governance Statement.”

319. ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE - MARCH 2021

A progress report regarding the governance action plan (agreed by the Committee on the 26th November 2020) was submitted which identified:

- actions outstanding, including those with revised timescales; and
- actions from the original action plan which have been completed and/or are ongoing.

The Committee thanked Heather Wills (whose secondment from the Local Government Association as the Council’s Improvement Adviser would end on 31st March) for her work in enhancing the Council’s governance processes. It was confirmed that responsibility for the action plan would transfer to the newly established Programme Management Officer post. Members requested that more effective formatting tools (as opposed to italics) be used in future updates to help highlight changes.

RESOLVED – that progress made against the governance action plan be noted.

320. POLICY COMMITTEES’ QUARTER 3 PERFORMANCE & RISKS REPORT

A report was presented which replicated the Quarter 3 performance reports previously submitted to the Community Services, Housing and Strategy & Resources Committees.

Councillor Allen, seconded by Councillor Dennis, proposed additional resolutions (B and C below) regarding:

- the future submission of performance reports to this Committee whereby, to provide more focus and avoid duplication, the content would be limited to performance issues requiring attention; and
- the scope for streamlining the risk management process.

Upon being put to the vote, the additional resolutions were agreed.

A suggestion that performance reports should be circulated to Members on a monthly basis, to align with the frequency of budget monitoring reports, was also put forward. Officers would assess whether this might be feasible, although it was acknowledged that the production of certain data might not be compatible with monthly reporting timelines.

RESOLVED – that:

- A. the Quarter 3 (2020/21) performance and risks for the policy committees be noted;
- B. the Programme Management Officer be requested to streamline future performance reports to this committee to focus solely on the main issues of concern to the policy committees, including any actions being taken by the respective policy committee to address performance issues; and
- C. it be suggested to the policy committees that they review their risk registers and be more pragmatic with their approach to risk management so that we avoid recording and reviewing risks we cannot change.

Rising 10.20 pm

TANDRIDGE DISTRICT COUNCIL

AUDIT & SCRUTINY COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Barn Theatre, Bluehouse Lane, Oxted on the 27th May 2021 at 9.28pm.

PRESENT: Councillors Allen, Botten (In place of Dennis), Cooper (In place of Bloore), Davies, Flower, Gray, Langton, O'Driscoll, C.White and N.White (In place of Crane)

APOLOGIES FOR ABSENCE: Councillors Bloore, Crane and Dennis

1. ELECTION OF CHAIR FOR 2020/21

RESOLVED – that Councillor Langton be elected Chair of the committee for the 2021/22 municipal year.

2. ELECTION OF VICE-CHAIR FOR 2021/22

RESOLVED – that Councillor Allen be elected Vice-Chair of the committee for the 2021/22 municipal year.

Rising 9.29 pm

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Internal Audit Progress Report (2020/21)

Audit & Scrutiny Committee Thursday, 8 July 2021

Report of: Neil Pitman – Head of Southern Internal Audit Partnership
Neil.pitman@hants.gov.uk

Purpose: For information

Publication status: Open

Wards affected: All

Executive summary:

This report provides an overview of internal audit activity against assurance work completed in accordance with the approved audit plan (2020-21) and to provide an overview of the outstanding management actions.

This report supports the Council's priority of: Building a better Council

Contact officer Anna D'Alessandro Interim Chief Finance Officer and Section 151 Officer
ADAlessandro@tandridge.gov.uk

Recommendation to Committee:

That the Committee notes the Internal Audit Progress Report – June 2021

Reason for recommendation:

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit & Scrutiny Committee.

Introduction and background

1. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
 - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

2. In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit & Scrutiny Committee, summarising:
 - The status of 'live' internal audit reports (outstanding management actions);
 - an update on progress against the annual audit plan;
 - a summary of internal audit performance, planning and resourcing issues; and a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion.

3. Appendix A summarises the activities of internal audit for the period up to June 2021.

4. The progress report provides a clear and transparent articulation of internal audit activity, performance, and outcomes during the period to June 2021.

Key implications

Comments of the Chief Finance Officer

The Progress Report on Internal Audit provides the Council an important insight into areas of risk for the Council where its key processes are not functioning effectively, and their improvement must be prioritised. There are however no direct financial implications of this report

Comments of the Head of Legal Services

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to 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.

The Progress Report on Internal Audit is intended to ensure that effective systems of internal control are in place. This protects the Council and its Officers

and provides an assurance to stakeholders and residents regarding the security of the Council's operations.

Equality

In consideration of impacts under the Public-Sector Equality Duty the proposal within this report do not have the potential to disadvantage or discriminate against different groups on the community.

Climate change

There are no environmental / sustainability implications associated with this report.

Appendices

Appendix 'A' – Internal Audit Progress Report – June 2021 (DRAFT)

Background papers

None

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Internal Audit Progress Report 2020/21

June 2021

Tandridge District Council



**Southern Internal
Audit Partnership**

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body 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.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ 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’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

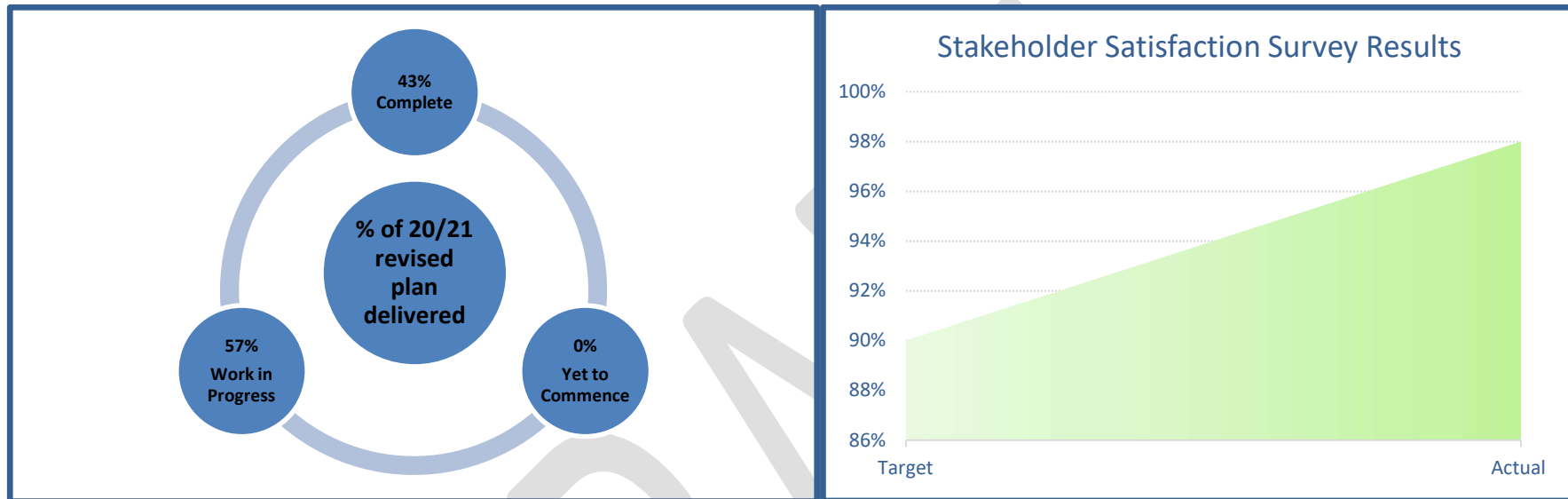
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1*

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews


Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	Overdue		
							L	M	H
HR – Policies and Procedures	04.06.20	EHofCR	Limited	5(5)	0(0)	0(0)			5
IT – Disaster Recovery and IT Business Continuity	06.07.20	EHofCR	No Assurance	11(11)	0(0)	7(7)			4
Council Tax	02.10.20	EHofC	Adequate	5(2)	1(0)	4(2)			
NNDR	20.10.20	EHofC	Limited	7(3)	2(0)	4(3)		1	
Accounts Receivable and Debt Management	26.10.20	EHofCR /EHofC	Limited	29(11)	0(0)	23(10)		5	1
Customer First	17.02.21	EHofCR	No Assurance	18(11)	2(1)	8(8)		6	2
Human Resources & OD	22.04.21	EHofCR	Reasonable	5(5)	3(3)	2(2)			
Procurement	18.05.21	HofL	Reasonable	3(0)	3(0)	0(0)			
IT Asset Management	14.06.21	EHofCR	Limited	9(0)	9(0)	0(0)			
Total				92(48)	20(4)	48(32)	0	12	12

*Total number of actions (total number of high priority actions)

Audit Sponsor			
ACE	Acting Chief Executive	CFO	Chief Finance Officer
EHofCR	Executive Head of Corporate Resources	EHofC	Executive Head of Communities
HofL	Head of Legal	CPO	Chief Planning Officer

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There has been one new report published concluding a “limited” assurance opinion since our last progress report in March 2021.

IT Asset Management		
Audit Sponsor	Assurance opinion	Management Actions
Executive Head of Corporate Resources	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;"> Low 4 </div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;"> Medium 5 </div> <div style="background-color: red; color: white; padding: 5px; text-align: center;"> High 0 </div> </div>
<p>Summary of key observations:</p> <p>The overall business objective of IT Asset Management is to ensure that the Council’s IT assets are suitably managed and appropriately accounted for.</p> <p>It was pleasing to observe that certificate of disposals were issued following the successful disposal of IT equipment. Data bearing devices were subject to a secure erasure or destruction process in accordance with European Directive on Waste Electrical and Electronic Equipment (WEEE)., however, it was noted that there was no disposal policy or procedure guidance in place.</p> <p>The IT Asset Register was found to be inaccurate and did not reflect the current IT equipment estate in the Council. Audit testing observed that several fields in the asset register were blank and some assets were not recorded on the register. Testing of network hardware assets held in the data centre found that 30% of the sample reviewed were not recorded on the register.</p> <p>Audit testing of a sample of leavers observed that although the ICT Team had been appropriately notified in advance, the asset register had not been updated to reflect the return of the assets.</p> <p>Additionally, there has been no IT equipment stocktake completed as required by the IAU Policy.</p>		

6. Planning & Resourcing

The internal audit plan for 2020-21 was presented to the Executive Leadership Team and the Audit & Scrutiny Committee in September 2020.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate Governance								
Human Resources & Organisational Development	EHofCR	✓	✓	✓	✓	✓	Reasonable	
Health & Safety	EHofCR	✓	✓	✓	✓			Draft report issued. Management response pending.
Procurement	HofL	✓	✓	✓	✓	✓	Reasonable	
Financial Resilience	CFO	✓	✓	✓				Put on hold pending Grant Thornton's assurance work.
Information Governance	EHofCR & HofL	✓	✓	✓	✓			Draft report issued. Management response pending.
Distribution of Business Grants	EHofC	✓	✓	✓	✓	✓	Reasonable	
Financial Management								
Housing Benefit	EHofC	✓	✓	✓	✓			Draft report issued. Management response pending.

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Treasury Management	CFO	✓	✓	✓	✓			Draft report issued. Management response pending.
Local Government Compensation Scheme	CFO	✓	n/a	✓	n/a	n/a	n/a – certification work	Claim 1 and 2 completed.
Grants Register	EHofC / CFO	✓	✓	✓				Delay with receiving information to progress the review. Fieldwork is now nearing completion.
Information Technology								
Cyber Security	EHofCR	✓	✓	✓	✓			Draft final report issued. Senior management agreement pending.
IT Asset Management	EHofCR	✓	✓	✓	✓	✓	Limited	
IT Disaster Recovery & Business Continuity (Follow Up)	EHofCR	✓	✓	✓	✓	✓	n/a	Follow up confirmed implementation of actions as per section 4 of this report.
Service Reviews								
Building Control	CPO	✓	✓	✓	✓			Draft report issued. Management response pending.

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations	
Removed from the plan	Reason
Housing Rents	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19.
Development Management	Removed from the plan due to a pending peer review by the Planning Advisory Service.
Added to the plan	Reason
Local Government Compensation Scheme	Following discussions with the Chief Finance Officer, included within the plan to review the methodology applied and sample check the accuracy of the three submissions to Central Government for the LGCS.
Grants Register	Following discussions with the Chief Finance Officer, included within the plan to review the process for recording and reporting arrangement for grants received by the Council. (COVID and non COVID grants.)

Tandridge District Council Assurance Opinions (Pre 2020-21)

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

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External Audit Plan Update

Audit & Scrutiny Committee Thursday, 8 July 2021

Report of: Chief Finance Officer (Section 151) – Anna D’Alessandro

Purpose: For decision information

Publication status: Open

Wards affected: All

Executive summary:

This report accompanies the presentation of the External Auditor (Deloitte) and the audit plan for auditing the Council’s Statement of Accounts in 2020/21.

This plan was previously presented to the Audit & Scrutiny Committee held on 30 March 2021. This approach is set out in Appendix A and shows the principal matters that the audit will focus on.

There will be an opportunity at the meeting to ask questions of clarification on this approach and how it has changed since it last came to committee.

This report supports the Council’s priority of: Building a better Council

Contact officer Martin Field – Finance Business Partner
mfield@tandridge.gov.uk

Recommendation to Committee:

That the Committee notes the contents of the audit plan

Reason for recommendation:

Please see slide presentation.

Introduction and background

1. As previously referred to this Committee on 30 March 2021, the Council's independent external auditor, Deloitte, has set out its audit plan for 2020/21 as required by the International Standard on Auditing (UK & Ireland) 260. The provides an opportunity for the external auditor to communicate its plan for auditing the Council's 2018/19 Statement of Accounts to members.
2. The Audit Plan enables Deloitte to: -
 - explain the audit process
 - set out the scope, key responsibilities and approach
 - Highlight any changes to the requirements of the auditor
 - describe significant audit risks and risk assessment process
 - outline the approach to materiality
 - advise of the fee for the 2020/21 audit and the independence of the auditor
 - outline the process for reporting back to the council on their work
 - set out responsibilities in relation to fraud.
 - explain the approach to quality control.
3. The audit of the annual accounts does not relieve management, or those charged with governance, of their responsibilities for the preparation of the accounts. The contents of the Audit Plan have been discussed with management.
4. The purpose of recirculating this report is to allow the new Audit & Scrutiny Committee that was appointed at Annual Council on 27 May 2021 to review the contents to enable a discussion to take place with Deloitte following their presentation to the committee.

Key implications

Comments of the Chief Finance Officer

5. The audit plan includes the proposed audit fee in line with the PSAA (Public Sector Audit Appointment) scale fee. There are no other financial implications

Comments of the Head of Legal Services

6. The Chief Finance Officer has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council's financial affairs. An essential component of sound administration is a sound audit function.
7. The Local Audit and Accountability Act 2014, established a new audit regime. Local Authorities must appoint an auditor which in carrying out its' role must be satisfied that the authority has:

- made proper arrangements for securing economy, efficiency and effectiveness in its use of resources;
 - in its accounts comply with the enactments which apply to them; and
 - observed proper practices in the preparation of the statement of accounts; and that the statement of accounts presents a true and fair view.
8. This is supported by the Code of Audit Practice, which requires auditors to 'consider their knowledge of the local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements'.

Equality

9. This report does not disadvantage or discriminate against any different groups with protected characteristics in the community.

Climate change

10. There are no significant environmental/sustainability implications associated with this report.

Appendices

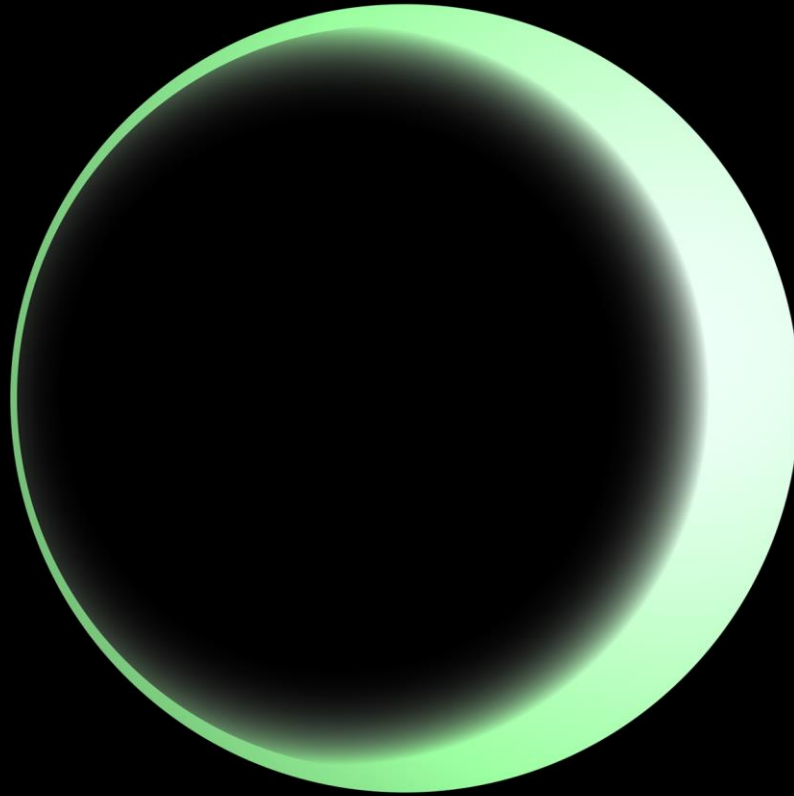
Appendix 'A' – External Audit 19/20 – Final IAS260 Report and the 2020/2021 Accounts Audit Plan

Background papers

None

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Tandridge District Council

Planning report to the Audit and Scrutiny Committee for the 2020/21 audit

Dear Chair,

Statutory audit of the financial statements of the Tandridge District Council ("the Council") for the year ended 31 March 2021.

We have pleasure in setting out in this report the principal matters that we will focus on during our audit of Tandridge District Borough Council (the Council) for the period ended 31 March 2021. This letter covers those matters which Auditing Standards require us to communicate to those charged with governance (the "Audit and Scrutiny Committee").

Audit Scope

Pages
33

Our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Council prepared in accordance with the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA for the period ending 31 March 2021. We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA UK") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the National Audit Office.

We anticipate that the Council will continue to be the only individually significant component for the group audit. The group audit team will perform central procedures on the Council's subsidiary, including considering property valuations as part of our significant risk procedures.

Significant Audit Risks

Our initial risk assessment has identified the following significant audit risks, discussed further on pages 5-6:

- Completeness of creditors and related expenditure;
- Property Valuations; and
- The potential risk of management override.

We will update our risk assessment following completion of the 2019/20 audit.

Other Areas of Audit Focus

Other matters which we have not currently identified as significant audit risks for the 2020/21 audit, but which will be areas of audit focus (and whose risk we will reassess as more information becomes available), include:

- Pensions Valuations; and
- Covid-19 related accounting and disclosures (discussed further on pages 3-5)

Value for Money

The National Audit Office's 2020 Code of Audit Practice revises the scope of the required work of the auditor on bodies' arrangements to secure value for money, moving away from a binary conclusion on arrangements in the audit report to a narrative commentary in a new "Auditor's Annual Report" (which replaces the Annual Audit Letter). The new requirements in this area are discussed further on page 9.

Materiality

We plan to set materiality based on 2% of gross expenditure (included in the surplus/deficit on provision of services) in the draft financial statements as the benchmark for determining materiality which is consistent with prior year. We report to the you on all unadjusted misstatements greater than 5% of materiality for the financial statements and other adjustments that are qualitatively material.

COVID-19 pandemic and its impact on our audit.

Requirements CIPFA has issued guidance highlighting the importance of considering the impact of COVID-19 in preparation of the financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council’s guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments.

Entity-specific explanations of the current and expected effects of COVID-19 and the Council’s plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.

As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to subsidiaries and investments, capital programmes, and resilience of the community including partner organisations and charities.

Actions We therefore expect a thorough assessment of the current and potential future effects of the COVID-19 pandemic including:

- A detailed analysis across the Council’s operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves;
- The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios);
- Uncertainties relating to the council’s financial position, and the potential requirement for a section 114 notice; and
- The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.

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Impact on the Council	Impact on annual report and financial statements	Impact on our audit
<p>We will consider the key impacts on the business such as:</p> <ul style="list-style-type: none"> • Interruptions to service provision • Supply chain disruptions • Unavailability of personnel • Reductions in income • The closure of facilities and premises 	<p>We have considered the impact of the outbreak on the annual report and financial statements, discussed further on the next slide including:</p> <ul style="list-style-type: none"> • Principal risk disclosures • Impact on property, plant and equipment • Valuation of commercial or investment properties • Impact on pension fund investment measurement and impairment • Sustainability of the Council and going concern assessment • Events after the reporting period and relevant disclosures • Bad debts provision policy • Narrative reporting • Impairment of non-current assets • Allowance for expected credit losses 	<p>We will consider the impact on the audit including:</p> <ul style="list-style-type: none"> • Resource planning • Timetable of the audit • Impact on our risk assessment • Logistics including meetings with entity personnel

Impact on annual report and financial statements

Impact on property, plant and equipment

The Royal Institute of Chartered Surveyors issued a practice alert in March 2020, as a result of which valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation, resulting in disclosure in financial statements and “emphasis of matter” paragraphs in audit reports. By September 2020, RICS considered that there was no longer material uncertainty over valuations from that date, and therefore valuations at 31 March 2021 are not expected to be affected by material valuation uncertainties. However, the on-going financial impact of the pandemic has impacted valuations, both through demand for particular asset types and weakening the financial standing of tenants.

The Council needs to consider its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations the Council should consider with their valuers the impact that COVID-19 has had on current value. The Council will also need to consider whether there are any indications of impairment of assets requiring adjustment at 31 March 2021.

Valuation of commercial or investment properties

Following the COVID-19 pandemic, the fair value measurements for financial instruments and investment properties held by the Council needs to be reviewed against the conditions and assumptions at the measurement date. Although volatility is lower relative to 31 March 2020, there have been significant market movements during the year which may impact valuations.

Impact on pension fund investment measurement

As a result of the COVID-19 pandemic pension fund investments have been subject to volatility. It is important to engage early with custodians and fund managers to not only gather information for year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments. Where such volatility exists it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation.

Expected credit losses

Since 31 March 2020, there has been a significant downturn in economic activity, with many businesses and individuals significantly impacted. The Council will need to consider the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.

Impact on annual report and financial statements

Financial risk disclosures

The Council needs to report on the impact of financial pressures and its financial sustainability in the narrative report and the relevant liquidity reporting requirements under the Code's adoption of IFRS 7 Financial Instruments: Disclosures.

Narrative and other reporting issues

The following areas will need to be considered by local authorities as having being impacted on by the COVID-19 pandemic.

- Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. These will need to reflect the significant financial challenge that the Council has experienced, and the ongoing work on budgets which has been undertaken in the year.

Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities

Events after the reporting period

The economic environment and impact of the pandemic continues to be highly uncertain. The Council will need to consider the events after the Reporting Period and whether these events will be adjusting or non-adjusting and make decisions on a transaction by transaction basis. The nature of the COVID-19 pandemic will mean that the Council will need to continue to review and update these assessments up to the date the accounts are authorised for issue.

Significant audit risks

Completeness of creditors and related expenditure

Risk Identified

Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure, in particular the completeness of accruals and provisions.

For 2020/21, the current approved budget Council was for net expenditure of £11.3m. Given the Council's current budget position and the pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating accruals and provisions. There is also a heightened risk of costs being omitted due to the on-going impact on ways of working at the council and in suppliers and in light of the extremely challenging financial position at the council.

Our response

Our work in this area will include the following:

- We will obtain an understanding of the design and implementation of the key controls in place in relation to recording completeness of accruals and provisions.

We will perform focused testing in relation to the completeness of expenditure including a detailed review of accruals and provisions;

As part of this focused testing we will challenge any assumptions made in relation to year-end accruals and provisions, including inquiring with the legal department in respect of the existence of known and potential claims (and where relevant undertake a review of legal letters in respect of cases); and

- In addition, we will review the year on year movement in accruals and provisions and will investigate any significant downwards movements.

Property valuation

Risk identified

The Council held £345.7m of land and buildings (including dwellings) at 31 March 2020 and £21.7m of investment properties.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council's land and buildings are revalued every five years, on a rolling basis with a desk top revaluation review carried out annually to identify any material changes to assets not revalued in the year. As a result of this, however, individual assets may not be revalued for four years. Although assets are currently held at 31 March 2020 valuations, given the market movements in 2020/21 there may be larger than usual movements in the year. There is therefore a risk that the carrying value of assets not included in the Council's revaluation process in the current year materially differ from the year end fair value. Investment properties are valued each year.

In addition, given the material value of the assets, and judgemental valuation assumptions, there is a risk that property balances may be materially misstated.

Significant audit risks - Continued

Our response

- We will understand how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;
- We will review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;
- We will use our valuation specialists (Deloitte Real Estate) where considered appropriate, to support our review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's Land and Buildings;
- We will test the inputs provided to the valuer; and
- We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

Management Override of Controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks and areas of audit interest: completeness of expenditure, valuation of the Council's estate and valuation of the pension liability. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will test the design and implementation of key controls in place around journal entries and management estimates;
 - We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;
 - We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
 - We will review accounting estimates for biases that could result in material misstatements due to fraud in line with ISA 540 requirements; and,
 - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
-

Other Areas of Audit Focus

Pensions Valuations

Risk Identified

The Council are part of the Local Government Pension Scheme administered by Surrey County Council. At 31 March 2020, the Council recognised a net pensions liability of £50.9m with a defined benefit obligation of £119.9m and asset value of £69.0m. The Code requires that their year end carrying value should reflect the appropriate fair value at that date. We note that as at 31 March 2020, the pension scheme auditor included an emphasis of matter in their opinion in respect of material uncertainty over the valuation of property assets.

Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required for each council.

Our response

We carry out a separate, detailed risk assessment of each of the individual components of the liability calculation (for example market assumptions, membership data, assets and liabilities) using a developed methodology which takes into account factors such as an assessment of the actuary. We will also liaise with the scheme auditor on the results of their audit procedures on the scheme as a whole.

Page 38 We will consider the make-up of the pension assets and the extent to which the asset types have been valued based on observable market prices or using estimation and judgement in the valuation and consider the extent of uncertainty in the asset valuation and the impact on our approach.

We scope our work, including the nature and extent of our actuarial specialists involvement, in a way which responds to this detailed risk assessment. Should our risk assessment change our overall audit approach in respect of testing pensions, we will notify the Committee.

We will confirm the disclosure of the pension figures in the statement of accounts agree with those provided by the scheme actuary.

Value for Money

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03, we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria:
 - **Financial sustainability:** How the body plans and manages its resources to ensure it can continue to deliver its services.
 - **Governance:** How the body ensures that it makes informed decisions and properly manages its risks.
 - **Improving economy, efficiency and effectiveness:** How the body uses information about its costs and performance to improve the way it manages and delivers its services.
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report (which replaces the Annual Audit Letter), setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to VfM arrangements, which might include emerging risks or issues.
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

The National Audit Office and the audit firms are continuing to discuss the practical implementation of these new requirements and expectations as to the extent of procedures underpinning these requirements, including the timetable required for VfM work and reporting for 2020/21. Expectations in this area are likely to continue to evolve as practical issues emerge in implementation.

Specific areas that we expect to focus on in understanding the Council's arrangements include the Council's response to the financial pressures from Covid-19 in 2020/21, and the Council's longer term planning for financial sustainability.

The NAO are expecting to release updated Auditor Guidance shortly confirming 2020/21 reporting timelines

Scope of work and approach

Key areas of responsibility under the Audit Code of Practice

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA UK") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the NAO. The Council will prepare its accounts under the Code of Practice on Local Council Accounting ("the Code") issued by CIPFA and Local Authority (Scotland) Accounts Authority Committee (LASAAC).

We are also required to issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources, as discussed further on page 9.

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA UK 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements. We will review their reports and meet with them where necessary to discuss their work. We will review the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I"). The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Audit fees

The "scale fee" set by Public Sector Auditor Appointments Limited for the financial statement audit, including whole of government accounts and procedures in respect of the value for money assessment, is £35,536.

For 2021, there are on-going discussions with PSAA in respect of scale fees. We will propose the fee for 2021 following completion of the 2020 audit. We would highlight that we would expect there to be potentially significant fee increases reflecting a number of changes in 2021 including the requirements of the revised Code of Audit Practice in particular in respect of Value for Money, the increased requirements on audit of accounting estimates under the revised ISA 540, and wider regulatory changes increasing the cost of audit delivery (and in 2022 for the implementation of IFRS 16, Leases).

Overrun fees for FY19 and FY20 remain open.

Independence

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Tandridge District Council and will reconfirm our independence and objectivity to the Audit and Scrutiny Committee for the year ending 31 March 2021 in our final report to the Audit and Scrutiny Committee. We have not undertaken any non-audit services in the year.

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

As part of our obligations under International Standards on Auditing (UK) and the APB's Ethical Standards we are required to report to you on all relationships (including the provision of non-audit services) between us and the audited entity.

We confirm all Deloitte network firms are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

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Fraud responsibilities and representations

Responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Inquiries

We will make the inquiries regarding management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.

Whether management, internal audit and those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud, including process for identifying and responding to fraud and communication of fraudulent behaviour.

How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.

Audit timings

Current proposals are for draft accounts publication by 1 August for public inspection, and final accounts by 30 September – however, this remains subject to change as this timeframe doesn't allow sufficient time for audit. We understand that the council plan to prepare their accounts ahead of this timetable, thus allowing us to plan to commence our testing in late June.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you.

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Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.



Deloitte LLP

St Albans, 24 March 2021



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Counter Fraud - Council Tax Fraud Report

Audit & Scrutiny Committee Thursday, 8 July 2021

Report of: Alison Boote - Executive Head of Communities

Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report provides details of a council tax fraud discovered in December 2019. It details the actions taken and controls put in place to reduce the risk of a similar fraud occurring in future.

This report supports the Council's priority of: Building a better Council

Contact officer Sally Bayliss - Case Services Manager
sbayliss@tandridge.gov.uk

Recommendation to Committee:

That the Committee note the report

Reason for recommendation:

This Committee is responsible for exercising the Council's scrutiny and review function including overall responsibility for audit and governance frameworks. It is also responsible for the review and scrutiny of decisions made, or actions taken, in connection with the discharge of any of the Council's functions.

This report is intended to provide reassurance to the Committee that adequate controls and measures have been put in place to reduce the risk of fraud of the nature detailed in this report from occurring again.

Introduction and background

- 1 On 9 December 2019, financial irregularities were identified in the processing of council tax refunds.
- 2 The issue was identified when a next of kin raised a query relating to a refund due from a deceased's council tax account. On checking the account, it was identified that a refund of £1,214 had been processed on 2 August 2019 based on an apparent instruction from a solicitor. It was confirmed by the next of kin that solicitors had not been instructed. It was also noted that the bank account details linked to the account had been changed at the time that the refund was processed.
- 3 An interrogation of the council tax system (Academy) identified a further 26 council tax refund payments totalling more than £27,000 to the same bank account. All the refunds had been processed by the same employee.
- 4 On 10 December 2019 the employee was suspended pending a full investigation.
- 5 On 12 December 2019 the matter was reported to Surrey Police. On 9 January the Police executed a warrant of arrest and interviewed the employee under caution. During this interview the employee admitted theft and provided the Police with details of other bank accounts that would be of interest. The employee was released under investigation while the Police conducted further enquiries.
- 6 The employee was dismissed from the employment of the Council on 14 January 2020.

Investigation

- 7 On 9 December 2019 the Council's Internal Auditors – Southern Internal Audit Partnership ('SIAP'), were engaged to carry out an investigation into the financial irregularities.
- 8 On 17 February 2020 SIAP issued their report which found a total of 137 refunds totalling £148,077.64 being paid to five different bank accounts. Two of these refunds had subsequently been repaid making the total loss to the Council £147,342.08. The earliest irregular refund payment identified was made on 14 March 2016 and the latest was 6 December 2019.
- 9 The investigation identified several factors which had contributed to the employee being able to issue refunds to their own bank account. As a Revenue Case Officer, the employee had access to each stage of the council tax life cycle and was able to exploit this level of access to manipulate records, monitor interactions and respond to queries without

scrutiny or challenge. The officer concerned was also able to stop the dispatch of system generated credit notes.

- 10 The investigation found that generally (not exclusive to those refunds identified as fraudulent) refunds were not always supported by a full audit trail of supporting evidence to support the refund payment to the bank account used. Although in several instances there is what appears to be fabricated documentation in the system to support the payment to a bank account linked to the employee.
- 11 The investigation considered the possibility that other forms of customer accounts been subject to similar fraudulent activity including non-domestic rates, council tenant rent accounts and benefit recipients but did not find any evidence that this was the case.

Insurance

- 12 Our insurers were notified of the fraud on 7 January 2020 and full details of the Council's loss were provided to them in February 2020.
- 13 On 22 June 2020 confirmation was received that the insurance claim had been approved and the claim was settled for the full amount less £5,000 which was the excess. The Insurers also met the £16,000 costs arising from SIAP carrying out the investigation

Prosecution

- 14 A copy of the SIAP report with all the supporting evidence was made available to the Police. They also seized the employees work laptop and while executing the warrant of arrest seized other evidence including mobile phones and financial records.
- 15 In January 2021 the Police finally confirmed that the Crown Prosecution Service would be charging the employee with 'fraud by abuse of position'.
- 16 The employee pleaded guilty to the charge of fraud and on the 28 April 2021 was sentenced to 2-years imprisonment and £120 surcharge.

Internal Audit

- 17 An internal audit of council tax was completed in October 2020. The assurance opinion for the audit was 'adequate'.
- 18 Several management actions were identified to improve controls which have been implemented – see below.

Management Actions

- 19 The following controls have been introduced to the council tax refund process and the refund processes for non-domestic rates, council tenant rents and benefits, to address the weaknesses exploited by the employee allowing the fraud to be perpetuated:
 - a. Where refunds are requested to a bank account not previously validated, the customer is asked to provide documentary evidence of the account such as a bank statement or picture of the front of their debit card.
 - b. All refunds must be authorised by a senior officer such as Team Leader or Specialist
 - c. 100% management checks of refunds over £500
 - d. Minimum 10% sample management checks of all refunds
 - e. Monthly review of recurring BACS payments to the same bank account for the previous 12 months by a senior officer such as Team Leader or Specialist
- 20 The 135 council tax accounts affected have had the funds reinstated and efforts are in hand to trace the eligible recipients for reimbursement.

Other options considered

- 21 The authority is committed to the proper accountability of public funds and condemns fraud and corruption in public life. The scale and seriousness of this fraud meant that no other option but to report this matter to the police and conduct a formal investigation was considered.

Key implications

Comments of the Chief Finance Officer

- 22 While it is not possible to completely remove the risk of fraud it is possible to put systems and control in place that will deter and quickly detect any fraudulent activity. The Council has adopted the recommendations made by SIAP to strengthen the controls in place to minimise the risk of fraud and considers these to be appropriate. The new controls are all now in place and being followed
- 23 The insurance the Council had in place meant that all funds were recover, apart from the £5,000 excess. Efforts are now being made to make the correct refunds to the eligible recipients.
- 24 The Council maintains an Anti-Fraud Policy and Whistleblowing Policy along with anti money laundering guidelines that are available for all staff on the Council's intranet (The Hub).

Comments of the Head of Legal Services

- 25 The purpose of this report is twofold: firstly, to share information with Members about a case where internal control weakness have led to fraud and irregularities and secondly: to demonstrate what measures are in place to help prevent similar circumstances happening again. The latter should provide reassurance to the public of the Council as valuing good governance and pursuing those that would seek to fraudulently exploit its resources.
- 26 The Council now has an updated policy in place which sets out its approach to preventing, detecting and investigating fraud and corruption. Going forward, an assessment of fraud and risk will be reported twice a year to this Committee.

Equality

- 27 There are no equality implications associated with this report

Climate change

- 28 There are no significant environmental/sustainability implications associated with this report

Appendices

- 29 None

----- end of report -----

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Managing complaints - an update

Audit & Scrutiny Committee Thursday, 8 July 2021

Report of: Head of Communications and Customer Experience

Purpose: For information

Publication status: Open

Wards affected: All

Executive summary:

The Council aims to provide an excellent experience every time a customer uses its services, but occasionally things do go wrong. When that happens, the Council would like the opportunity to put things right.

This report provides an update about the Council's approach to managing complaints and the Complaints Policy. Complaints should be reported quarterly to the Audit and Scrutiny Committee and details about what has changed as a result of a complaint are published on the website.

This report supports the Council's priority of: Building a better Council

Contact officer Giuseppina Valenza, Head of Communications & Customer Experience, gvalenza@tandridge.gov.uk

Recommendation to Committee:

The committee is asked to note the report.

Reason for recommendation:

The Complaints Policy stipulates complaints should be reported quarterly to the Audit and Scrutiny Committee.

A robust complaints policy ensures customer service standards are sustained and improved. It also helps maintain the Council's reputation. An approach of continuous improvement, gained by learning from complaints, supports the priority of Building a better Council.

Introduction and background

- 1 The Council aims to provide an excellent experience every time a customer uses its services, but occasionally things do go wrong. When that happens, the Council would like the opportunity to put things right.
- 2 If a service falls below the expected standard, officers work with customers to resolve any issues as quickly as possible. Where this still does not resolve the issue, customers may want to make a formal complaint.
- 3 Complaints, comments and compliments from customers help the Council identify what has worked well and what could be better.
- 4 Comments and complaints are used to see where processes should be reviewed and improvements made. In addition, compliments are passed on to staff and shared internally.
- 5 The Complaints Policy was reviewed and updated in 2020 and changes were made to make it simpler and more effective. The changes included:
 - Reducing the number of stages from four to three.
 - Making ownership of the two stages more specific.
 - Providing clearer details about what is and isn't a complaint for customers and officers.
 - Providing training and more detailed guidance to the officers responsible for responding to complaints.

Stage 1 - Resolution

- 6 If customers are not satisfied with the service they receive, they can make a Stage 1 complaint. The aim is to resolve any complaint received at this stage as quickly as possible.
- 7 Team Leaders or Specialists for the service area investigate complaints and respond.
- 8 At Stage 1 the response may be given verbally, as this often gets to the heart of the problem more quickly and can lead to a faster resolution with no need for a Stage 2 complaint. Notes of these conversations are recorded, so it is clear what has been agreed or what action will be taken as a result. If a written response is also requested this is provided.

- 9 Where the customer is not happy with the response to their Stage 1 complaint, they can escalate it to Stage 2 to be reviewed.

Stage 2 - Review

- 10 At Stage 2 the customer must clearly explain why they are dissatisfied with the Stage 1 investigation and what they think the Council needs to do to put matters right.
- 11 Stage 2 complaints are reviewed by a member of the Senior Leadership Team from a different service area. They focus on understanding the continuing concerns, whether the Stage 1 Resolution process was undertaken fairly and the conclusions reached reasonable.

Timescales

- 12 At both stages complaints:
- Are acknowledged within 2 working days.
 - Are fully investigated and responded to within 10 working days. Where this is not possible the customer is contacted to let them know when they can expect a reply.

Stage 3 - Local Government and Social Care Ombudsman (LGSCO)

- 13 If customers are still not happy with the response they receive at Stage 2, they are referred to the LGSCO. The LGSCO investigates complaints about councils with the aim of putting things right if they have gone wrong.

Learning from complaints

- 14 All staff are encouraged to feedback information they receive which could lead to potential complaints, to help prevent complaints at an earlier stage.
- 15 Councillors are encouraged to flag up any issues and work with officers to resolve problems.
- 16 As part of the Stage 1 investigations, team leaders review the process or practice used, to highlight where improvements could be made. Any changes are recorded in the system with a record of the action taken as a result, for example staff training, changes to a system or process etc.
- 17 At Stage 2 a member of the Senior Leadership Team reviews the response to Stage 1, to see if it could have been prevented from escalating to Stage 2.
- 18 Teams are encouraged to take ownership of complaints, do their utmost to resolve them and use them to improve the service.

Recording complaints

- 19 The complaints process has recently been moved onto a new software platform which should make it easier to provide more detailed reporting information about complaints in future, for example number of complaints for Stage 1 and Stage 2, percentage answered within timescales etc.
- 20 The previous system had limited functionality and it was not possible to extract data automatically. Extracting the data was a very time consuming and manual process.

Lessons learned

- 21 The new system should also help capture what lessons have been learned from complaints more easily, with the aim of improving customer service. For example, the acknowledgement e-mail sent to successful applications for a Test and Trace Support Payment was revised to provide more clarity and help manage expectations in relation to payment dates.
- 22 In several cases, the way an issue was dealt with has been discussed by officers, with an emphasis on how it might have been handled differently to prevent a complaint being raised.
- 23 More complaints training will be made available to a broader range of officers to improve responses to customers across the organisation.

Number of complaints

- 24 Compared to the previous year, there were fewer complaints between April 2020 and March 2021 as detailed in table A below.
- 25 Table A

Timescale	2019-2020	2020-2021
April to June	57	38
July to September	54	47
October to December	74	47
January to March	129	108
Total	314	240

- 26 Appendix A details complaints by service area for 2019-2020 and 2020-2021.

Complaints to the LGSCO

- 27 In 2020-2021, 10 complaints were referred to the LGSCO, mainly in relation to housing and planning issues. Of these 1 was upheld, 1 was not upheld and 8 were closed after initial enquiries.

- 28 The complaint which was upheld related to a planning enforcement issue. As a result, a payment was made to the complainant by the Council and planning procedures were reviewed.
- 29 In 2019-2020, 9 complaints were referred to the Ombudsman. Of these 2 were upheld, 2 were not upheld and 5 were closed after initial enquiries.
- 30 The complaints which were upheld related to a parking ticket and failing to inform a planning agent of the likely outcome of an application. In both cases the Council responded to the complainants and improved processes.

Key implications

Comments of the Chief Finance Officer

There are no direct financial implications arising from this report.

It is acknowledged that dealing with complaints puts an additional resource burden on the Council in terms of staff time and correctly dealing with complaints in the early stages will reduce this.

Learning from our mistakes and improving processes will reduce the chances of reoccurrence and free up officer time to focus on delivering services. Where compensation payments are necessary these will need to be met by services from existing budgetary provision.

Comments of the Head of Legal Services

This report provides a review of complaints received and an update on the Council's complaint handling. If any complaint raises issues that may have legal implications or consequences, Legal Services should be consulted.

There is no statutory duty to report regularly to any of the committees about the Council's performance. Under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

Regular reports about the Council's performance in responding to complaints assist in demonstrating best value and compliance with the statutory duty.

Equality

To ensure anyone is able to make a complaint, customers can submit a complaint in a number of ways. They can:

- Complete a form.
- E-mail the Council.
- Write to the Council.
- Visit the Council Offices and a complaint can be recorded by an officer.
- Call 01883 722000 and a Customer Services Advisor can complete a form for a customer over the phone.

Complaints on social media cannot be accepted, as it is too difficult to capture information and not practical if it is sensitive or confidential. When a complaint is received via social media, the complainant is asked to contact the Council in one of the above ways.

While all complaints are dealt with confidentially, anonymous complaints cannot be responded to.

Climate change

There are no significant environmental / sustainability implications associated with this report.

Appendices

Appendix A - Details of complaints by service for 2020-2021.

Background papers

None.

----- end of report -----

Appendix A - complaints by service area 2019-2020 and 2020-2021

Department	2019-2020				2020-2021			
	April May June	July Aug Sept	Oct Nov Dec	Jan Feb March	April May June	July Aug Sept	Oct Nov Dec	Jan Feb March
Benefits	4	1	1	4			2	2
Building Control						2		
Chief Executive	3		4	2	4			
Committees		1						
Communications & Customer Services				3				3
Community Safety			1			1		
Community Support			1	1				
Compliance					1	1	1	
Corporate policy		1				1		
Council properties							1	
EH Commercial	1			1				
EH Residential and Environment	1	1	3		1			
Elections	3			1		1	1	3
Enabling & Strategy				1				1
Finance	2	1						
Flytipping				1				
Housing Needs	3		10	5	2	8	3	
HR		1						5
Landlord Services	4	5	5	6	6	2	5	5
Legal				1	1		3	2
Parks	5	1		4		4	1	1
Planning	8	9	8	16	8	4	12	14
Planning Enforcement	1	2	6	1	3	7	4	6
Planning Policy	1	1				1		
Procurement			1					
Property Services	3	3	2	3	1	7	5	4
Revenues	2	5	3	8	5	2	6	4
Street scene						1		
TCS	1			1		1		
Trees					1			
Waste	15	22	29	70	5	4	3	58

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Policy Committees' Quarter 4 20/21 Exception Performance Report

Audit & Scrutiny Committee Thursday, 8 July 2021

Report of: Executive Head of Corporate Resources

Purpose: For information

Publication status: Open

Wards affected: All

Executive summary:

- To date, this committee has received a compilation report that contains all performance and risk reports from each policy committee, including the corporate risk register. The aim of this has been to support the committee to monitor performance and risk management at the Council.
- At the last meeting of this Committee, Members expressed an interest in making the report more concise and orientated towards exception reporting. The rationale for this approach being that each policy committee will have already reviewed their respective performance charts and risks prior to the compilation report being brought to this committee.
- There was no fixed scope for a new version of the compilation report. However incorporating signposts to policy committee reports, rather than including them as appendices, was favoured. This report reflects a first attempt to revise the previous compilation report. Therefore Officers welcome any feedback on its format and content.

This report supports the Council's priority of:

Building a better Council

Contact officer William Mace – Programme Management Officer
wmace@tandridge.gov.uk

Recommendation to Committee:

'A' – That the policy committees' performance and risk exceptions for Quarter 4 2020/21 be noted.

Reason for recommendation:

'A' – To support the Committee to monitor performance and risk at the Council.

1. Introduction and background

1.1. The Committee's terms of reference include reviewing and scrutinising "the decisions and performance of the Council".¹ In addition, Section xiii of the 'terms' state that the Committee will:

"Monitor the Council's performance against targets which seek to ensure the provision of cost effective, quality services to the community (as part of the Council's own performance management regime)".²

1.2. To date, the Committee has received a compilation report containing each performance and risk report for each policy committee: Community Services, Planning Policy, Housing and Strategy and Resources. As this report was lengthy and its component parts already subject to review by each policy committee, Members requested the report be modified to make it more concise.

1.3. In response to this feedback, Officers have revised the report by signposting to the policy committees' separate performance and risk reports, rather than including them as appendices. In addition, the report now contains only exception reporting on performance and risk, in-line with the criteria stated in Sections 3 and 4. Due to the committee dates and associated report timelines, it is not possible to include each policy committees' responses to the off-target performance indicators and 'red' rated risks. Therefore, readers are advised to review the reports listed in Section 2, and Officers will provide verbal updates on the outcome of the preceding policy committees wherever possible.

¹ Overview & Scrutiny Committee (2020) *Proposed Changes to the Terms of Reference and Name of the Committee*, p. 3. Online available: <https://tandridge.moderngov.co.uk/documents/s792/ToR%20and%20Committee%20name.pdf> [Last accessed 16/06/2021].

² Overview & Scrutiny Committee (2020) *Minutes*, p. 1. Online available: <https://tandridge.moderngov.co.uk/documents/g898/Public%20minutes%2030th-Jul-2020%2019.30%20Audit%20Scrutiny%20Committee.pdf?T=11> [Last accessed 16/06/2021].

2. Policy committees' performance and risk reports

2.1. The most recent performance and risk reports for the policy committees can be found via the following links. Note they are links to the relevant committee meeting agenda. Therefore readers should look for the 'performance report' on the agenda:³

[Community Services](#)

[Planning Policy](#)

[Housing](#)

[Strategy and Resources](#)

3. Performance Headlines

3.1. The following performance headlines have been included on the basis that a target has not been met for at least two Quarters.⁴

3.2. Note: up-to-date commentaries on the policy committees' responses to these headlines are not available in writing, due to the timing of this reports publication. Therefore, verbal updates will be provided during the committee wherever possible.

3.3. Community Services

3.3.1. Percentage of roads, footpaths & public open spaces which meet the environmental cleanliness standard – off by 1%.

3.3.2. Percentage of establishments with a rating of 3 or better under the food hygiene rating scheme – off by 10%.

3.3.3. Note: the Council's waste contractor is currently migrating their performance data systems from an old version to a new version, as per the new contract. Unfortunately, this means that the Council cannot report performance data at present until the migration has been completed.

3.4. Planning Policy

3.4.1. Officers recommend viewing the Planning Policy report in its entirety as there are several key improvement works being undertaken in this Directorate. As such the performance data may be subject to change as Officers continue to check the data extraction and reporting processes.

³ Due to the Council's committee report timelines, a more direct link cannot be provided as the reports may not be uploaded to the website before this report has been drafted.

⁴ The figures for the most recently reported quarter, and the quarter preceding it, will be used to determine whether an indicator is included in this section.

3.5. Housing

3.5.1. People in 'Urgent Need' (Bands A & B) on the Housing Register – off by 140 people.

3.6. Strategy & Resources

3.6.1. Staff Sickness (long & short term) – off by 0.55 days.

3.6.2. Percentage of calls answered by Customer Services within 60 seconds – off by 45%.

4. Risk Headlines

4.1. The following risk headlines have been included on the basis that a risk has remained 'red' on one of the Council's committee published risk registers for at least two Quarters.

4.2. If a risk arises as part of an audit report but is not featured in this report, it will be due to (a) the lead time between the audit report being published and the next internal risk register review, and / or (b) the risk not being red for two consecutive quarters on the relevant committee register.

4.3. The Council is continuing to improve its risk management, which has involved (i) sifting the more operational / service-level risks from the committee risk registers, (ii) employing a new simplified risk matrix (see below), (iii) taken a new draft risk management strategy to Strategy and Resources Committee this month to approve (see the link at Section 2.1).

Likelihood	Very Likely	4	4	8	12	16
	Likely	3	3	6	9	12
	Possible	2	2	4	6	8
	Unlikely	1	1	2	3	4
			1	2	3	4
			Low	Medium	High	Very High
			Impact			

4.4. 'Red' risk headlines:

4.5. Corporate Risk Register

4.5.1. Local plan is found unsound by the Inspector.

4.5.2. Lack of resources constrains the Council's "business as usual" capacity.

- 4.5.3. Inability of Council to make savings as identified in the Medium Term Financial Strategy and to balance the Council Budget in 2021/22 and 2022/23.
- 4.6. Community Services Risk Register
 - 4.6.1. Trespass on council land leading to damage and nuisance.
 - 4.6.2. Incident due to illegal activities in our public toilets.
 - 4.6.3. Loss of Goods Vehicle Operating Licence at the depot (due to lack of resilience).
- 4.7. Planning Policy Risk Register
 - 4.7.1. Lack of five year housing land supply, including gypsy and traveller land.
 - 4.7.2. Local Plan needs further evidence, topic papers or main modifications prior to considering it sound dependent on how Council chooses to progress the plan following receipt of Inspector's letter.
 - 4.7.3. As above, it should be noted that there are several improvement works ongoing in the Planning Directorate.
- 4.8. Housing Risk Register
 - 4.8.1. No applicable risks.
- 4.9. Strategy and Resources Risk Register
 - 4.9.1. No applicable risks.

5. Comments of the Chief Finance Officer

- 5.1. There are no direct financial implications arising from this report. However, the risks identified in the Corporate and Committee risk registers reported to individual policy committees and their mitigating actions may lead to significant additional resources and cost implications for the Council if they come to pass. The red risk headlines reported above represent the most severe risks to the Council with the greatest impact.
- 5.2. The key risks, their likelihood, impact and mitigation are identified in the Risk Register appendices reported to policy committees with each risk allocated to a risk owner. Officers will continue to monitor operational risks and will look to escalate these if necessary.
- 5.3. Once identified, the impact of any additional cost pressures to reduce risk and / or improve performance will be shown in the monthly budget monitoring reports and discussed in the budget monitoring risks and opportunities register.

6. Comments of the Head of Legal Services

- 6.1. There are no direct legal implications arising from this report, but the report does provide Members with an overview of the achievement of targets in the past quarter and highlights risk management considerations where appropriate.
- 6.2. Although, there is no statutory duty to report regularly on the Council's performance, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Regular reports on Council performance help to demonstrate best value and compliance with the statutory duty.

7. Other corporate implications

- 7.1. Any corporate implications that arise will be reviewed during the committee, recorded in the minutes and reviewed by Officers.

8. Equality

- 8.1. This report contains no proposals that would disadvantage any particular minority groups.

9. Climate change

- 9.1. This report contains no proposals that would impact on the Council's commitment to climate change.

10. Appendices

- 10.1. None.

11. Background papers

- 11.1. None.

----- end of report -----