

Audit & Scrutiny Committee

Thursday, 11th April, 2024 at 7.30 pm

Council Chamber - Council Offices

Agenda

Members of the Audit & Scrutiny Committee

Councillor Ian Booth (Chair)	Councillor Martin Allen (Vice-Chair)
Councillor Perry Chotai	Councillor Michael Cooper
Councillor Sue Farr	Councillor Anna Jones
Councillor Carole North	Councillor Anna Patel
Councillor Lewis Sharp	Councillor Colin White
Councillor Sir Nicholas White	

Independent Person: Katharine Eberhart

Substitute Members

Councillor Bryan Black	Councillor Helen Bilton
Councillor Liam Hammond	Councillor Jeremy Pursehouse
Councillor Judy Moore	

If a member of the Committee is unable to attend the meeting, they should notify Democratic Services. If a Member of the Council, who is not a member of the Committee, would like to attend the meeting, please let Democratic Services know by no later than noon on the day of the meeting.

If any clarification about any item of business is needed, contact should be made with officers before the meeting. Reports contain authors' names and contact details.

David Ford

Chief Executive

Information for the public



This meeting will be held in the Council Chamber, Council Offices, Oxted and the public are welcome to attend. Doors for the Council Offices will open 15 minutes before the start of the meeting.



The meeting will also be broadcast online at tinyurl.com/webcastTDC. In attending this meeting, you are accepting that you may be filmed and consent to the live stream being broadcast online and available for others to view.



Information about the terms of reference and membership of this Committee are available in the Council's Constitution available from tinyurl.com/howTDCisrun. The website also provides copies of agendas, reports and minutes.



Details of reports that will be considered at upcoming Committee meetings are published on the Council's Committee Forward Plan. You can view the latest plan at tinyurl.com/TDCforwardplan.

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Tandridge District Council, Council Offices, 8 Station Road East, Oxted, Surrey, RH8 0BT

AGENDA

1. Apologies for absence (if any)

2. Declarations of interest

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter:

(i) any Disclosable Pecuniary Interests (DPIs) and/or

(ii) other interests arising under the Code of Conduct

in respect of any item(s) of business being considered at the meeting. Anyone with a DPI must, unless a dispensation has been granted, withdraw from the meeting during consideration of the relevant item of business. If in doubt, advice should be sought from the Monitoring Officer or her staff prior to the meeting.

3. Minutes of the meeting held on 6th February 2024 (Pages 3 - 8)

4. To deal with any question submitted under Standing Order 30

Questions must be sent via email or in writing to Democratic Services by 5pm on [2 working days before the meeting] and comply with all other aspects of Standing Order 30 of the Council's Constitution.

5. To deal with any issues 'Called In' under Part F of the Council's constitution

6. External Audit Update (Pages 9 - 42)

7. External Audit Progress 23/24 (Pages 43 - 60)

8. 2023/24 Internal Audit Progress Report (Pages 61 - 72)

9. Internal Audit Quarterly Planning Approach (Pages 73 - 78)

10. 2024/25 (Q1) Internal Audit Plan (Pages 79 - 88)

11. 2024/25 Internal Audit Charter (Pages 89 - 102)

12. Future Tandridge Programme Update (Pages 103 - 136)

13. Quarter 3 Performance Exceptions (Pages 137 - 140)

14. Any urgent business

To deal with any other item(s) which, in the opinion of the Chair, should be considered as a matter of urgency in accordance with Section 100B(4)(b) of the Local Government Act 1972.

TANDRIDGE DISTRICT COUNCIL

AUDIT & SCRUTINY COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber - Council Offices on the 6 February 2024 at 7:30pm.

PRESENT: Councillors Booth (Chair), Allen (Vice-Chair), Chotai, Cooper, Sue Farr, Patel, Sharp, Colin White, Nicholas White and Eberhart

PRESENT (Virtually): Councillors Anna Jones and North

ALSO PRESENT: Councillors Chris Farr

ALSO PRESENT (Virtually): Councillors Moore

240. MINUTES OF THE MEETING HELD ON 28TH NOVEMBER 2023

The minutes were confirmed and signed as a correct record.

241. EXTERNAL AUDIT UPDATE

The committee received an update report relating to the progress of the external audit of the 2021/22 statement of accounts and agreeing of audit fees.

The committee was informed that:

- It was the intention to finish all 2021/22 audit work by the end of February 2024 and for the audit findings report and final statement of accounts to be presented to committee on 11 April 2024 for approval. The audit was currently 65% complete.
- PSAA had considered all of the evidence presented by Deloitte and the Council in respect of the 2019/20 and 2020/21 audit fees dispute and their decision should be received imminently. The committee would be informed of the decision once received.
- The statement of accounts for the 2022/23 audit was due to be published by the end of February 2024. Once published they would be in a position to be audited.
- A letter had been received from DLUHC relating to the local government audit backlog. It stated that a consultation was imminent relating to the introduction of a backstop date which would be a statutory deadline for when all audits up to financial year 2022/23 had to be completed by. The Council would continue to prepare the statements of account so they can be audited if required.

In response to questions from councillors and the Independent Person, the following points were clarified:

- Depending on the response from PSAA, the Council may decide to challenge their decision. A report would come to committee to allow members the opportunity to debate PSAA's response and to approve the audit fees.
- It was Deloitte's intention that the Value for Money report to be ready before the April committee meeting. The report would include updates on previously identified specific

weaknesses, including financial sustainability and the outcome of the external governance review that had been undertaken in July 2020.

- Deloitte confirmed that a potential immaterial error had been discovered whilst reviewing the pensions liability statement and valuation of assets, but they were not aware of any significant errors that would require adjustment.
- As the deadline for completion of the 2021/22 audit had already passed, it would be appropriate for the committee to consider the accounts at the next meeting and vote on whether the Chair can sign them rather than providing delegated authority.
- Deloitte stated that resources would need to be put in place imminently in order to complete the 2022/23 audit by DLUHC's proposed backstop date. It was the Council's expectation that the audit would take place by 30 September 2024.

RESOLVED – that the committee note:

- A. the 2021/22 external audit progress.
- B. the progress in finalising the 2022/23 Statement of Accounts.
- C. the letter from the Minister for Local Government regarding the proposed audit backstop.
- D. the progress on addressing audit fee proposals.

242. INTERNAL AUDIT UPDATE - JANUARY 2024

The committee received a progress report from the Southern Internal Audit Partnership (SIAP), which included:

- An analysis of live audit reviews that still had management actions pending or overdue.
- A progress update against the 2022/23 and 2023/24 Internal Audit Plan.
- A summary of any adjustments to the Internal Audit Plan and any significant issues that would impact on the Chief Internal Auditor's annual opinion.

It was noted that SIAP expected their annual opinion to be presented at the July 2024 committee.

In response to questions from councillors and the Independent Person, the following points were clarified:

- It was noted that a high number of the outstanding management actions related to a small number of incomplete audits, including business continuity and emergency planning.
- The way in which outstanding management actions were reported was being changed so related actions would be consolidated rather than being shown as separate entries.
- It was a priority to complete the contract management guide as soon as possible. This would be completed either by the current procurement specialist or his interim replacement who would be assuming the role from the end of March 2024.

- The completion dates for actions relating to business continuity and emergency planning needed to be reviewed due to unexpected staff absence.
- Previous outstanding IT disaster recovery actions had been completed. A new action relating to temperature feedback on the air conditioning system at the Warren Lane depot had recently been added.

RESOLVED – that the Internal Audit Progress Report – December 2023 be noted.

243. ANNUAL GOVERNANCE STATEMENT 2022/23

The committee received a report updating on the revised draft Annual Governance Statement (AGS) that had been amended following feedback from councillors and a review of the Council's governance arrangements. The AGS also included an action plan to address any significant governance issues identified.

In response to questions from councillors and the Independent Person, the following points were clarified:

- Planning statistics were reported fully to the Planning Policy Committee and that committee would receive commentary on planning performance. It was acknowledged that the layout of the planning statistics could be improved.
- The format of the 2022/23 action plan could not be altered as that had been agreed by committee. Improvements had been made for 2023/24. It was agreed that specific dates could be included in the action plan to help the committee to assess progress.
- It was agreed that concerns raised in respect of the increasing percentage of successful Planning Committee decision appeals and number of homes built by the Council would be fed back to the relevant senior officers.
- It was confirmed that additional resource had been acquired to assist with the development of the Council's climate change strategy which, in conjunction with the creation of a climate change task and finish group, would lead to a more consistent approach to this area.
- In response to concerns about the size and layout of the AGS, it was confirmed that the document was comparable with other authorities. The AGS had no set format and the layout could be reviewed but it was noted that many elements had to be reported and therefore retained.

RESOLVED – that the committee:

- A. approve the Annual Governance Statement 2022/23 for inclusion in the Statement of Accounts 2022/23.
- B. approve that the Leader of the Council and Chief Executive sign the Annual Governance Statement 2022/23 and be published with the Council's Statement of Accounts.
- C. note the Action Plan for 2023/24 and the outstanding actions from 2022/23.

244. ANTI MONEY LAUNDERING POLICY REVIEW

The committee received a report on a new policy that set out the Council's obligations and arrangements in respect of anti-money laundering. The report had been prepared by the Fraud Manager who had been appointed under the Joint Working Agreement with Reigate & Banstead Borough Council (RBBC) and signed off by senior officers. The report complemented the Anti-Fraud, Bribery and Corruption Policy that was approved by the committee on 29th September 2023.

The committee was informed that:

- The report set out specific roles and responsibilities, reporting requirements and the need for confidentiality to avoid tipping off.
- The Section 151 Officer was the Council's Money Laundering Responsible Officer, who was deputised by the Fraud Manager at RBBC.
- Mandatory anti-fraud and financial crime e-learning training had recently been sent out to all officers. Similar training was being considered for councillors, but this would take place after the upcoming election.

In response to questions from councillors and the Independent Person, the following points were clarified:

- If committee approved the policy and it was adopted at Full Council, a number of departmental risk assessments would have to be carried out to assess compliance.
- An annual fraud report would be brought to committee which would include details of any money laundering activity.

RECOMMEND - that the committee recommend to Full Council that the Anti-Money Laundering Policy be adopted and published on the Council's website.

245. FUTURE TANDRIDGE PROGRAMME UPDATE - JANUARY 2024

The committee received a report focusing on the governance, risk and issue management of the Future Tandridge Programme (FTP). The committee was informed that:

- The scope of the FTP had now been finalised. Consequently, the risk score had been reduced on the risk register.
- Due to active mitigation in respect of the digital programme, the risk score had also been reduced on the risk register. Steps taken to reduce risk levels included the introduction of key programme governance and project milestones.
- Ongoing red risks included:
 - The people plan and organisational strands of the FTP
Discussions were ongoing with Reigate and Banstead Borough Council regarding the possibility of sharing their recently recruited Organisation Development Lead to reduce this risk. A programme board had also been created to review organisational

development actions until an appointment had been finalised. Senior officers would also be reviewing the recruitment process to make sure the Council recruits and retains the best employees.

- The Digital Transformation Programme.
It was expected that the risk score would be reduced once the final project plan has been finalised with the implementation partner.
- The Ground Maintenance contract
A red risk had been retained due to the tight procurement timetables. A full procurement plan was in place and a report regarding the progress of this project would be reported to the Community Services Committee in March 2024.
- Improvements of £17,000 were noted in the FTP savings delivery progress with £255,000 remaining at an amber rating.
- An internal audit of FTP savings delivery was currently being completed. The audit would focus on overall programme governance and savings delivery.

In response to questions from councillors and the Independent Person, the following points were clarified:

- The FTP scope had been finalised and the parts of the project roadmap that continued into 2025 related to the implementing of the target operating model, particularly in respect of the digital project, operational services and the continuous improvement programme. The current investment will be successful in delivering the £1.7million savings target in the current financial year.
- The FTP will be concluded in due course but continuous improvement was required at the Council in order to keep up with medium term challenges and keep within budget.
- Over financial years 2022/23 and 2023/24 a saving of £450,000 was planned by making changes to the management structure. £85,000 of this figure had been marked as unachieved as it had been reinvested in the planning management structure. It was noted that it was legitimate for the Council to reinvest elements of its savings in its priorities.
- Temporary additional Customer Services resources had been required in order to assist with the telephone project implementation. The additional resource would not create a transformation fund variance. It was noted that the Customer Services team had already made significant savings as part of the 2023/24 savings plan.
- The risk score for the Digital Transformation Programme had been reduced following the recruitment of the business analyst role and the creation of clear ownership of work streams within the digital project.
- The Strategy & Resources Committee will be making a decision as to whether the unused contingency should contribute to reserves or be withheld to meet future risks.

RESOLVED – that the committee note:

- A. the direction of travel for the FTP, the savings identified for delivery in 2023/24.
- B. progress made and next steps on the savings identified for delivery in 2024/25.

- C. the approach to risk management being applied and the current programme level risks identified in the report.

246. COMPLAINTS AND FREEDOM OF INFORMATION UPDATE

The committee received a report which summarised the Council's complaints policy and presented breakdowns of the 25 Stage 1 complaints and 3 Stage 2 complaints received in the quarter from 1 October 2023 to 31 December 2023. 10 complaints had also been considered by the Local Government Ombudsman. 5 of these were not taken forward to be investigated, 4 were ongoing and 1 was upheld.

The report also provided a breakdown of the 234 Freedom of Information (FOI) requests received in the same quarter. The areas with the most requests were for Housing and Business Rates.

In response to questions from councillors and the Independent Person, it was confirmed that it was difficult to provide statistics in respect of the timeliness of responses to complaints with the Council's current system. However, it was the officer's view that most complaints were responded to within the timeframe set by the Council.

RESOLVED – that the committee accept and note the report.

Rising Time: 21:12

External Audit Update - 2021/22

Audit & Scrutiny Committee Thursday, 11th April 2024

Report of: Director of Resources (Section 151)

Purpose: Information

Publication status: Unrestricted

Wards affected: All wards

Executive summary:

This report is to inform the Committee of the result of the external audit of the Council's 2021/22 Statement of Accounts and to receive the external auditor's draft Audit Findings Report.

The report also sets out progress to-date in addressing audit fees with Deloitte and PSAA for the financial years 2019/20, 2020/21 and 2021/22.

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

Contact officer Mark Hak-Sanders Director of Resources (S151)
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

Note the contents of the draft Audit Findings Report (AFR) as attached at Appendix A.

Reason for recommendation:

Local authorities are required to prepare an annual statement of accounts, publish such accounts and have those accounts audited. Audit and Scrutiny Committee is responsible for approving the final audited statements.

2021/22 External audit

1. This Committee received an update and noted the progress made in the external audit of the 2021/22 Statement of Accounts, in February 2024. The report highlighted that good progress had been made in completing the 2021/22 audit. Although the audit was still ongoing, a number of areas were substantially complete and overall the audit was 65% complete. Work has progressed and the audit is now 80% complete.
2. Deloitte and the Council's Finance team have been working to complete the outstanding queries and the internal quality review to enable sign off of the Council's Statement of Accounts.
3. The auditor has provided a commentary and recommendations on the Statement of Accounts in their draft Audit Findings Report attached Appendix A).
4. The auditor anticipates issuing an unqualified opinion on the financial statements.

2021/22 Audit Findings

5. The Draft Audit Findings Report 2021/22 is presented in Appendix A and sets out a summary of the work carried out during the audit of the accounts, the conclusions reached and recommendations. It also shares the results of the external auditor's work undertaken to assess the Council's arrangements to secure value for money in the use of resources and any recommendations made.
6. At the beginning of the audit, the auditors produce an audit plan, which was reported to Audit & Scrutiny Committee initially in September 2022 and finally in June 2023. The audit plan identified areas of significant risk of material misstatement. The audit findings report summarises the work completed in relation to these risk areas.
7. Appendix A of the Audit Findings Report identifies required changes made to the draft Statement of Accounts. When this is finalised, the agreed changes and control improvements will be reported to Committee.

Audit Fees 2019/20 and 2020/21

1. As previously reported the fee proposals from Deloitte are as follows:
 - 2019/20: £136k
 - 2020/21: £209k
 - **Total: £345k**

This can be compared to the standard scale fee of £36k per year for both 2019/20 and 2020/21. It represents a 479% increase and 3% of the Council's annual budget.

2. As reported to Committee in November both the Council and Deloitte had submitted evidence in respect of the fees incurred to Public Sector Audit Appointments (PSAA) and a decision was expected in due course.
3. Officers received a response from PSAA on 28th March 2024. The response outlines the process PSAA used to review the fee variations submitted by Deloitte and the assessment of each of the proposals. The initial response from PSAA reduces the fee variation by £80k from £345k to £265k, however Officers believe that further conversations and work is required with PSAA. In consultation with the Chair and Vice Chair, Officers are continuing to discuss this position with PSAA and are not presenting the fees for approval at this stage, until that position has been clarified.
4. As reported to previous Committee meetings, the scale fee set by PSAA for the 2021/22 audit is £36k (the same as the previous two years). Deloitte reported to the November Audit and Scrutiny Committee that they proposed to increase the audit fee for 2021/22 to £66k as a result of additional work required to assess Value for Money (VFM), increased use of specialist expertise and changes to various International Auditing Standards. Deloitte also reported that they have incurred additional costs of £63k due to a delay in providing information. These figures are provisional and further amendments may be proposed. Similarly, the Council will continue to challenge any proposed fees if it does not deem them to offer value for money.

Consultation

Not required.

Key implications

Comments of the Chief Finance Officer

The financial implications of the report are set out above. The external auditor has pointed out that it is likely that fee variations will be required. The Director of Resources will continue to advise Deloitte that, in accordance with PSAA requirements, the fee implications should be discussed with Management at the earliest opportunity and will be subject to Committee approval.

Comments of the Head of Legal Services

In relation to the Council's Constitution and the specific role and responsibilities of this Committee the Constitution provides that the overall purpose of the Committee is *'to be responsible for the review and scrutiny of the decisions and performance of the Council, audit arrangements and providing opportunities for other organisations to present / explain key aspects of their local services'*. In particular, the Committee is responsible for overseeing both internal and external audit helping to ensure that efficient and effective assurance arrangements are in place.

To discharge its functions effectively, the Committee is required to operate within their agreed Terms of Reference. The external auditor's plan is designed to ensure that.

Equality

There are no Equalities implications directly arising from the statutory audit of the financial statements.

Climate change

There are no Climate Change implications directly arising from the statutory audit of the financial statements.

Appendices

Appendix A – Deloitte Draft Audit Findings Report

Background papers

None

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

Deloitte.

Tandridge
District Council



Tandridge District Council

Report to the Audit & Scrutiny Committee on the 2021/22 audit

Issued on 03 April 2024 for the meeting on 11 April 2024

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Audit progress report

The key messages in this report

The purpose of this report is to update the Audit and Scrutiny Committee on the progress of our audit for financial year 2021/22 since we issued our draft ISA260 report on 30 Jan 2024. The scope of our audit is set out within our planning report presented to the Committee in June 2023.

Status as reported in our draft ISA260 letter issued on 30 Jan 2024

Status update

We outlined in our report dated 30 Jan 2024 that our audit had reached an advanced stage, surpassed the halfway point, and remained ongoing. Key outstanding were listed as follows:

- journals testing;
- debtors and creditors testing;
- income and expenditure testing;
- conclusion on property valuations;
- conclusion on the pension liability and assumptions;
- miscellaneous outstanding sample items and follow up queries;
- value for money;
- completion of internal quality assurance procedures;
- receipt of signed management representation letter; and
- our review of events since 31 March 2022 through to signing.

As mentioned in the last report issued to Audit and Scrutiny Committee in Jan 2024, we were able to make small progress from 60% to 65% completion and covered few areas in January 2024 including receipt of draft reports from our valuation specialist, raising additional queries to the actuary and some managerial/director reviews performed on various areas. The progress since our last report is as follows:

Property valuation – The work on valuation is complete and reviewed, audit team currently addressing the review comments.

Pension liability and assumptions – Our specialist had asked few more queries since January, the response for which has been received. Based on the discussion with our specialist, they are finalizing their report at the time of issuance of this report.

Completion of reviews – Reviews on journals testing, debtors, creditors, income and other testing are now complete, audit team is working through the review comments.

Value for money – Value for money work is re-prioritized to be started in April upon completion of balance sheet and income/expenditure testing.

Collection fund – As the audit team has completed work on other areas, they have now revisited the collection fund. Initial queries have been sent to management, and discussions are currently underway to address any issues or concerns identified so far.

Overall – Our overall progress has moved to 80% from 65% as reported previously. Most of the review in respect of the execution is now complete and audit team has discussed review comments with management and currently working through those. We are working as swiftly as possible in collaboration with the finance team, as our progress is dependent on their timely responses to finalise queries following review.

Based on the completion of work and review completed so far, we have noted additional control findings and corrected and uncorrected misstatements which are included in the appendices. Moreover, we have booked the additional staff in April to conclude all areas and finalised statement of accounts.

Appendices



Your control environment and findings

Control deficiencies and areas for management focus

(Reported previously but updated in this report)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Internal controls</u></p> <p>Under ISA, we are required to obtain the understanding of the relevant controls and perform design and implementation testing in respect of the significant risks, moreover, we are required to obtain understanding of the business process as part of our risk assessment. We noted that management could not provide the relevant evidence of control reviews having taken place in some instances including the following:</p> <ul style="list-style-type: none"> 17 Review of revaluation reports <ul style="list-style-type: none"> • Review of capital projects prior to approval • Review of the revaluation adjustment journals • Review of transfers from assets under construction • Year-end review of investments • Year-end review of accruals listing and post year-end cutoff • Review of purchase orders • Year-end review of grants received • Review of payroll month-end reconciliation • Review of service organisations' periodic investment reports • Separate reviews of journals by an individual different from the preparer • Review of significant accounting estimates • Review of monthly control accounts reconciliation. <p>Management explained that the reason they could not provide evidence of review controls having been completed in some instances was because staff had left the council.</p>	<p>2021 Medium Control activities</p> <p></p>	<p>We recommend that management should devise a protocol to ensure the evidence of review controls is retained, even if personnel changes occur.</p>	<p>Management agree that evidence of control reviews should be documented more thoroughly in future.</p>




Your control environment and findings

Control deficiencies and areas for management focus (continued)

(Reported previously in our report issued on 22nd of Nov 2023)


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Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Limitation of Finance team</u></p> <p>During the 2020/21 audit, we reported that the finance team have limited capacity and are under significant pressure much of the time. We have consistently observed that financial records do not appear to be of the detailed quality we would expect, and that management are having to invest considerable time seeking the information required for the audit. The turnover of staff has exacerbated this issue, however, had suitable records been retained, this should not have posed a significant challenge.</p> <p>We have noted that the persistence of this issue in this 2021/22 audit.</p>	<p>2021 High Control activities</p> 	<p>We recommend that management continue to review the resource requirements of the finance team and perform a detailed review of the processes in place to retain supporting evidence for financial reporting purposes. Retaining detailed evidence as transactions are reported should result in considerably less resource being required to support the audit and will ensure that the council meets the statutory requirement to retain suitable accounting records.</p>	<p>The Tandridge Finance Transformation programme has introduced a new approach to Corporate Finance, involving staff changes and significant support from Surrey County Council through the Joint Working Agreement.</p> <p>Management agree that the quality of working papers should improve in future, but this will be an ongoing process as much of 2021/22 accounts were produced under prior arrangements.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(Reported previously in our report issued on 22nd of Nov 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Long outstanding debtors</u></p> <p>As part of review of the aged debtors in 2020/21, we noted that a total of £62,544 debtor balance has been outstanding for over 6 years. However, no substantial evidence was provided to precisely evidence the inclusion of these debtor balances in the provision calculation.</p> <p>This balance is still included in the financial statements for 2021/22. We have discussed with management and understand that prior year recommendation to provide for these would be included in 2022/23 statements.</p>	2021 Medium Control activities 	<p>In absence of the provision breakdown which reconcile back to debtor, there is a risk that management may be holding debtors that are not recoverable in their books.</p> <p>Management should develop a mechanism whereby they can identify specifically which debtors' balances are provided to ensure that adequate provision is made in the books.</p>	<p>Management agrees with the recommendation. We will review all debtor balances to ensure adequate provision is made in the accounts.</p> <p>Improvements will be implemented part way through 2022/23 accounts, so the 2021/22 statements show the same findings as in previous year.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(Reported previously in our report issued on 22nd of Nov 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Completeness of related parties</u></p> <p>During the audit it has been identified that whilst Democratic Services maintain a full register of interests, a separate Finance-run process had been in place to capture details for the related party disclosure, which was incomplete. Whilst Members interests are captured and published, the existence of two processes mean that there is a risk that the related party disclosures is not complete.</p>	2023 High Control activities	<p>It is recommended that the Finance team work with Democratic Services to complete a review of the process for register of interests along with the related party disclosure to confirm it is complete and accurate.</p> <p>In addition, it is recommended that the Audit Committee review the completed register of interests on an annual basis.</p>	We agree with the recommendation.

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(Reported previously but updated in this report)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Misclassification</u></p> <p>During the audit, we identified the following instances of misclassified balances/transactions specified below:</p> <ul style="list-style-type: none"> - Debits balances in income: We noted that the underlisted expense GL accounts had been netted off against grant income and were thus misclassified in the financial statements. These total to £196k, which were netted off through a cost centre code 234: - Vendor accounts with a net debit balance: We noted that vendor accounts with debit balance are included in the creditors amounting £491k. - Debit balance in deferred income: We noted a debit amount of £70k had been recorded as a deferred income. - Incorrect classification of grants received income code in expenditure amounting £3.16m <p>We have discussed these with the management and management agreed to correct these in the statement of accounts.</p>	<p>2022 Medium Control activities</p> <p style="text-align: center;">!</p>	<p>Management should ensure that there is adequate review of workings supporting the financial records including a check if income and expenditure and debtors and creditors are appropriately classified, prior to reporting in the financial statements.</p>	<p>We agree with the recommendation. Improvements have been implemented as part of the 2022/23 statements and working papers.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

(Reported previously in our report issued on 22nd of Nov 2023)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Accumulated absence accrual difference</u></p> <p>We have noted a difference of £271k between the accumulated Absence Accrual balance(Account No:92809) presented in the draft financial statements and the provided supporting calculation.</p> <p>Management had reported a liability of £491k while the amount per the provided workings was £220k.</p> <p>We have discussed these with the management and management agreed to correct these in the statement of accounts.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>Management should ensure that there is adequate review of workings and that the balances reconcile to the underlying accounting records.</p>	<p>We agree with the recommendation. Improvements have been implemented as part of the 2022/23 statements and working papers.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

(Reported previously but updated in this report)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>General Fund Assets (GF) and Housing Revenue Account (HRA) assets not revalued</u></p> <p>The Council's policy is to revalue the entire assets in its GF and HRA portfolio except for assets currently in their first year of use. However, we noted that some of these assets were omitted in valuation workings, though, they were eligible for revaluation under the policy.</p> <p>We have consulted with Deloitte Real Estate, where they suggested to use the Beacon value methodology and market review recommendation to assess the impact of revaluation for the assets not valued. This involves applying the value of the beacon value/archetype where these assets were categorised for HRA and apply the recommended movements as per market review report for GF.</p> <p>Following the suggested approach, we have noted a net valuation uplift of £55,583, which is not below our minimum threshold and hence we have included this as part of uncorrected misstatements.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend management to compare their FAR register against the information being sent to valuer to ensure the accuracy and completeness of the asset valued.</p>	<p>Agreed and noted for future actions.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p>Fully utilized assets</p> <p>During the year, we noted that TDC has included intangible assets amounting £1.47m and property, plant, and equipment amounting to £5.1m in the cost and accumulated depreciation/amortization, despite these assets being fully utilized at the beginning and end of the year.</p> <p>It is essential to have a robust control procedure in place to ensure that assets that are no longer in use are promptly identified and written off from the books</p>	<p>2022 Medium Control activities</p> <p style="text-align: center;">!</p>	<p>We recommend that TDC management should thoroughly review the inclusion of fully utilized intangible assets and property, plant, and equipment in the cost and accumulated depreciation/amortization. It is essential to ensure that only assets with ongoing utilization are included in the financial statements.</p> <p>We further recommend implementing robust controls and procedures to regularly assess and validate the usage of these assets.</p> <p>Additionally, management should establish a process for maintaining proper documentation to support the continued utilization of these assets.</p>	<p>Management have reviewed the inclusion of fully utilised assets. Management proposes to introduce a policy to remove intangible assets and property, plant and equipment when they are fully amortized/depreciated.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Pension assets misstatement</u></p> <p>The auditors of the pension scheme (Surrey County Pension) of whom the TDC is part, have identified an understatement in the pension assets of £28 million due to timing differences. We have estimated the impact of this on the TDC's pension liability using the share of its assets within the entire fund's assets.</p> <p>While performing the audit procedures on the pension liabilities/assets, we noted that there was a reported error in level 3 investments of the Property Unit Trust and the Private Equity assets valuation of the Surrey Pension Funds amounting to £28m.</p> <p>We have estimated the impact of this on the TDC's pension liability using the share of its assets within the entire fund's assets, which calculated as £471k.</p> <p>Tandridge District Council's management considered this an estimation difference and has therefore, not adjusted the council accounts.</p>	<p>2022</p> <p>Medium</p> <p>Control activities</p> <p>!</p>	<p>We recommend that management should devise a mechanism which would enable TDC management to track any unadjusted misstatements reported by the pension fund's auditor.</p> <p>This will enable management to evaluate unadjusted misstatements and determine whether the Council's financial statements need to be adjusted.</p>	<p>There is a mechanism to be able to track changes in the Pension Fund. The item in question is not a correction of an error. It was not deemed by the Pension Fund to be an error. Therefore, no adjustment was required, and no adjustment was made in the Pension Fund Accounts.</p> <p>These are private market investments which are not traded in the same way as quoted or pooled instruments. The valuation of these therefore takes some time to generate. Any adjustments are down to additional information obtained after the passage of time (sometimes several months) to the time of the audit. The IAS19/FRS102 accounting estimates would have been produced with the best available information at the time and therefore stand.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Bank reconciliation process</u></p> <p>During bank reconciliation testing, we had inspected the bank reconciliation for one of the HSBC accounts and noted a formula error which resulted in difference in reconciliation. Upon further investigation with TDC management, it was determined that the workings needed to be revised based on new approach adopted by management in respect of the reconciliation.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management devise a mechanism whereby management ensure the accuracy and completeness of the reconciling items and agreeing the reconciliation back to the GL and bank statement.</p>	<p>Management have devised a mechanism to ensure the accuracy and completeness of the reconciling items and agreeing the reconciliation back to the GL and bank statement. This reconciliation is included within the 2022/23 statements.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Other long term investments recoverability</u></p> <p>Based on our investment testing, we identified a listing of receivables amounting to £113k, representing housing repair loans given to tenants by TDC. According to management, these amounts are repayable once the houses are sold. However, despite our efforts to obtain supporting audit evidence, management was unable to provide any documentation to support the recoverability of these receivables.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	2022 Medium Control activities	We recommend that management undertake a thorough review of the housing repair loans and establish a process to obtain and maintain appropriate documentation to support the recoverability of these receivables.	Management have reviewed the Housing repair loans and the receivables have been reconciled to loans during 2022/23.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Creditors to be written back</u></p> <p>Based on our testing, we have identified several creditor account codes that have not shown any movement over 3 years. Upon inquiry, the client has informed us that no supporting documentation could be found for these creditors. Furthermore, management intends to write back these balances in the next year, indicating that they do not represent a liability. The total amount of these balances is £114,654.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>Implementing controls to regularly review and reconcile creditor accounts will help prevent the accumulation of unsupported balances in the future</p>	<p>Agreed and noted for future.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>AUC cost estimation error</u></p> <p>During our testing of property, plant, and equipment (PPE) and assets under construction (AUC), we selected a sample related to the Bronzoak project. The amount recorded in TDC's books for this sample was approximately £107k which was based on an estimate provided by the service department. However, the actual payment made in the 22-23 was £246k. We noted a difference of approximately £139k which is then projected to whole population and the total projected error amounted to £199k.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management reviews the accrual process and ensures that accurate estimates are used to avoid significant differences between the accruals and actual payments.</p>	<p>Estimates are an approximate calculation or judgement at a particular point in time based on information available. Management always reviews the accrual processes to ensure that estimates are as accurate as possible.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Errors noted in account receivable testing</u></p> <p>During the testing of the account receivable, we noted errors in 4 of the samples. The total error was £11.6k out of the sampled amount of £455k. We are required by auditing standards to project the error on the whole population from where the samples were taken. The total population was £4.68m and projected error was £119k.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management conducts a thorough review of the accounts receivable process, including the identification and rectification of any errors found. Implementing controls to prevent similar errors in the future will help maintain the integrity of the accounts receivable balances.</p>	<p>Management always reviews the account receivable process to ensure accounts receivable balances within the statements are robust.</p>

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p>In respect of revaluation testing, we have involved our experts to carry out the valuation testing including accuracy of assumptions, methodology and valuation. While they have not identified any material misstatement in the valuations, they have noted few instances of process improvements, the details of which are already shared with management and summary is included here:</p> <p><u>Valuation Report Improvements:</u></p> <ol style="list-style-type: none"> 1. Include all terms of engagement in the final report. 2. Address discrepancies between the valuer report and the work performed. 3. Require confirmation in the Valuation Report regarding the relationship between Market Value and Current Value for operational assets. 4. In the valuation report, reference the history of renewals and voids, as well as letting patterns for similar properties in the area. 5. Recommend keeping documentary records of discussions between the Council and the external valuer. 6. Request the valuer to identify specific risks associated with assets that may have a wider margin of reasonable judgment. 7. Ensure clear identification of schedules summarizing reported values for valued assets in future reports. <p><u>Valuation Process Improvements:</u></p> <ol style="list-style-type: none"> 1. Challenge the validity of an approach that generally applies to physical deterioration and obsolescence. 2. Ensure valuations include commentary on material differences between Existing Use Value (EUV) and Market Value (MV) as required. 3. Challenge the application of a uniform remaining useful life to all assets and components. 4. Encourage valuers to consider leasing and sales transactions for comparable assets within the locality, rather than relying solely on external indices. 	<p>2022 Medium Control activities</p> <p style="text-align: center;">!</p>	<p>We recommend that management should review these findings and discuss it with valuer to implement these recommendations.</p>	<p>Management will engage with our external valuation experts to implement these recommendations where appropriate</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Gryllus impairment</u></p> <p>During our investment testing, we identified that the investments in Gryllus Holdings Limited (GHL), a subsidiary, had not been impaired to the net asset value of GHL as of 31 March 2022, as stated in the audited financial statements. We noted a difference of £3.97m between the recorded value and the net asset value.</p> <p>Upon discussing this finding with management, they acknowledged the error and agreed to correct it in the statement of accounts.</p>	2022 Medium Control activities	We recommend that management should devise a mechanism to periodically review impairment of its assets and ensure all relevant assets are part of this activity.	Management do review impairment of its assets at year end. Management will ensure all assets are included in these reviews.

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Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Valuation differences due to methodology</u></p> <p>We have identified the following differences, which have been noted through our expert review of the valuation report:</p> <p>a) Leisure Pool & Car Park, Oxted: The Valuer adopted 15% of the Gross Replacement Cost (GRC) and fees to calculate the external works, instead of adopting a percentage of the GRC and then calculating the fees based on the total of the GRC and external works. This resulted in an incorrect calculation, with £50,009 representing 1% of the gross value of the property.</p> <p>b) Astlefield House, 1 – 5 Castlefield Road, Reigate. RH2 0SA: In the valuation notes, it is stated that the next rent review is due on 25 March 2024, which is 2.25 years after the valuation date. The passing rent of £822,325 p.a. was capitalized for 3 years before an increased reversionary rent of £847,000 p.a. was reflected. This resulted in a difference of £20k if the reversionary rent was applied.</p> <p>Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management should discuss these with valuer to consider these in future valuations.</p>	<p>Management reviews the valuations received and WHE provide explanations for movements. We rely on our external valuers to provide expert advice and valuations.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Investment classification error</u></p> <p>During our review, we identified that certain investment funds were incorrectly classified as short-term investments, when they should have been classified as long-term investments for the UBS and Schroders funds, or as cash and cash equivalents for the CCLA PSDF.</p> <p>Upon inquiry with Treasury and reviewing email correspondence between Treasury and TDC's financial advisors, it became evident that the intention of these investments contradicted their short-term classification. This incorrect classification also applied to the prior year.</p> <p>Considering the materiality of the amounts involved, management has agreed to correct the classification in the current year's statement of accounts and restate the prior year's note to accurately reflect the correction.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management should devise a mechanism where finance coordinate with treasury annual to understand the expected usage of the funds in future and intention to hold or withdraw these funds which enable them to properly classify these funds in statement of accounts.</p>	<p>Management will continue to work with our Treasury team to ensure all funds are properly classified.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Overstatement of receipt in advance</u></p> <p>During our review, we discovered that certain advances were received after the year-end, despite being recorded as receipts in advance. Upon discussing this with management, it was revealed that some advances were mistakenly recorded based on invoices rather than actual receipt of payment. We asked management to investigate further, and they have identified a total of \$411k in such instances. Management has agreed to rectify this error in the statement of accounts.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management should devise a mechanism where management review the recorded receipt in advance with the actual receipts to ensure the accuracy of reporting.</p>	<p>Management will review Receipts in Advance balances to ensure adequate provision is made in the accounts. This is a Balance Sheet disclosure error.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Write-off of investment property cost</u></p> <p>During our review, it was identified that the initial capitalised costs amounting £153k for the proposed purchase of the Hobbs Industrial Estate, an investment property, have not been appropriately written off despite the Council's decision to no longer pursue this purchase. Management do not consider these to be material and have not corrected these in the statement of accounts. Therefore, we have included in this in the schedule of uncorrected misstatement.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management should devise a mechanism where management periodically review the recorded cost against the projects and assess if any adjustments are needed.</p>	<p>As part of a review management became aware of this adjustment and this is reflected in the 2022/23 statements</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Journals posted with incomplete descriptions / line details</u></p> <p>During our testing of journal entries, we discovered 297 entries with inadequate or unclear wording regarding their purpose. Out of these, 215 entries had no descriptions at all, while the remaining entries were described using alphanumeric references that lacked clear context for understanding the underlying transactions.</p> <p>We have discussed this issue with management and obtained supporting evidence to verify the rationale behind few material journals. No issues noted for those tested.</p> <p>This finding raises the risk of multiple journal entries being recorded for the same transactions if entries are not properly and clearly described. Furthermore, the presence of unclear descriptions increases the risk of inappropriate or unapproved transactions being masked, potentially heightening the risk of fraud.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>It is important to address this issue by implementing controls to ensure that journal entries are accurately and clearly described, providing transparency and reducing the risk of errors or fraudulent activities.</p>	<p>It was recognised during the 2020/21 audit that improvements would be implemented during 2022/23 and 2021/22 would record the same finding. Improvements continue to be implemented for both 2022/23 and 23/24 financial years</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

(New to this report - not previously reported)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p><u>Error in HRA Debtor balance</u></p> <p>During our review, we discovered an error in the HRA debtor balance amounting to £316,770. The amount recorded in the general ledger (GL) was £369,836, which differed from the working provided for HRA debtors of £686,606.</p> <p>After discussing this issue with management, it was confirmed that the correct balance for HRA debtors is indeed £686,606. However, management has determined that this discrepancy is not material and has chosen not to correct it in the statement of accounts for FY21/22.</p> <p>As a result, we have included this uncorrected misstatement in the schedule of uncorrected misstatements.</p>	<p>2022 Medium Control activities</p> <p>!</p>	<p>We recommend that management should devise a mechanism where management the balance used to compute the provision is reflective of the relevant GLs.</p>	<p>As part of a review management became aware of this adjustment and this is reflected in the 2022/23 statements, as such the HRA debtors report and the GL reconcile in 2022/23.</p>

Audit adjustments

Adjusted misstatements

(Reported previously but updated in this report)

The following corrected misstatements have been identified up to the date of this report which management agreed to adjust it in the statement of accounts. These misstatements are TDC only and management should assess the impact on the group and reflect it.

	Debit/ (credit) income statement £000	Debit/ (credit) in net assets £000	Debit/ (credit) OCI/Equity £000	If applicable, control deficiency identified
Misstatements identified in current year				
Misclassification of expenditure	£196/(£196)	-	-	Page 9
Vendor accounts with net debit balance	-	£491/(£491)	-	Page 9
Grant income classification	£3,160/(£3,160)	-	-	Page 9
Incorrectly classified debtors	-	£70/(£70)	-	Page 9
Overprovision of accumulated leave balance	(£271)	£271	-	Page 10
Impairment of Gryllus investments (standalone accounts)	£3,970	(£3,970)	-	Page 20
Correcting classification of investments	-	£9,415/(£9,415)	-	Page 22
Overstatement of receipt in advance	-	£411/(£411)	-	Page 23
Misstatements identified in prior years				
Correcting classification of investments	-	£9,686/(£9,686)	-	Page 22
Total	£3,699	(£3,699)		

Audit adjustments

Unadjusted misstatements

(Reported previously but updated in this report)

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). These misstatements are TDC only and management should assess the impact on the group and reflect it.

	Debit/ (credit) income statement £000	Debit/ (credit) in net assets £000	Debit/ (credit) OCI/Equity £000	<i>Memorandum</i> Debit/ (credit) General Fund £000	If applicable, control deficiency identified
Misstatements identified in current year					
Provision on long outstanding debt	£63	(£63)	-		Page 7
Understatement of pension assets	-	£471	(£471)		Page 13
Non-recoverable long-term investments	£113	(£113)	-		Page 15
Overstatement of the creditors	(£114)	£114	-		Page 16
Understatement of AUC accrual	£199	(£199)	-		Page 17
Projected error in account receivables	£119	(£119)	-		Page 18
Valuation methodology differences	-	£70	(£70)		Page 21
Write-off of investment property	£153	(£153)	-		Page 24
Error in HRA debtor balance	(£317)	£317			Page 26
Total	£216	£325	(£541)		

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External Audit Progress - 2023/24

Audit & Scrutiny Committee Thursday, 11th April 2024

Report of: Director of Resources (Section 151)

Purpose: Information

Publication status: Unrestricted

Wards affected: All wards

Executive summary:

This report updates the Committee on the progress of the external audit of the 2023/24 Statement of Accounts and a summary of emerging national issues and developments relevant to Tandridge District Council.

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

Contact officer Mark Hak-Sanders Director of Resources (S151)
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That Committee notes the 2023/24 external audit progress and plan for completion.

Reason for recommendation:

To ensure that the Audit and Scrutiny Committee is content with the arrangements of the external auditor for its audit work.

Local authorities are required to prepare annual statement of accounts, publish such accounts and have those accounts audited. Audit and Scrutiny Committee is responsible for approving the final audited statements.

Overview

1. Grant Thornton have been appointed by PSAA Ltd as the external auditor for Tandridge District Council on a five year contract beginning with the 2023/24 Statement of Accounts.
2. The Grant Thornton report in Appendix A updates the Committee with a report on progress in delivering their responsibilities as external auditors. The report also includes
 - a summary of emerging national issues and developments
 - a series of sector updates in respect of emerging local authority issues
3. The report covers the work required to provide the Council with:
 - An audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2024
 - Commentary on the Council's arrangements to secure value for money (VFM) in the use of resources for the relevant period
4. The Audit deliverables are set out on page 5 of the report. Grant Thornton have already met with Finance Officers and continue to be in discussions regarding emerging developments and to ensure the audit process is smooth and effective. The aim is to give their opinion on the 2023/24 statement of accounts by 31 December 2024.
5. A detailed Audit plan will be reported to the Committee in July setting out Grant Thornton's proposed approach to the 2023/24 audit.

Audit Fees

6. Public Sector Audit Appointments (PSAA) have set the 2023/24 scale fee at £151,288. This could be subject to additional costs as the proposals to address the backlog of previous audits are still being finalised.

Other options considered

The completion of the audit is a statutory requirement.

Consultation

Not required.

Key implications

Comments of the Chief Finance Officer

The financial implications of the report are set out above. This fee has been built into the Council's budget for 2024/25.

Comments of the Head of Legal Services

In relation to the Council's Constitution and the specific role and responsibilities of this Committee the Constitution provides that the overall purpose of the Committee is *'to be responsible for the review and scrutiny of the decisions and performance of the Council, audit arrangements and providing opportunities for other organisations to present / explain key aspects of their local services'*. In particular, the Committee is responsible for overseeing both internal and external audit helping to ensure that efficient and effective assurance arrangements are in place.

To discharge its functions effectively, the Committee is required to operate within their agreed Terms of Reference. The external auditor's plan is designed to ensure that.

Equality

There are no Equalities implications directly arising from the statutory audit of the financial statements.

Climate change

There are no Climate Change implications directly arising from the statutory audit of the financial statements.

Appendices

Appendix A – Tandridge District Council Audit Progress Report and Sector Updates

Background papers

None

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Tandridge District Council

Audit progress report and sector updates

March 2024



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit and Scrutiny Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Scrutiny Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2024

Auditors Appointment

Grant Thornton have been appointed as your auditor for years 23-24 onwards. This is a five-year contract. The 2023/24 audits are the first in the second five-year appointing period specified by PSAA. New contracts for this appointing period were awarded in 2022 to six audit firms, following a challenging and protracted procurement. The procurement demonstrated clearly the limited audit capacity available to meet the demand and requirements of the sector. As a firm we are committed to completing your audit to the timeframes and to the required quality standards.

Scale fee

PSAA have set your scale fee for the 2023-24 audit at £151,288. Proposals to address the backlog of previous audits are still being finalised. DLUHC have written to all councils outlining a framework for clearing backlog audits. The amount of work auditors are required to undertake on your opening 1 April 2023 balances for audits that are subject to the backstop has yet to be confirmed.

Financial Statements Audit

We remain committed to delivering your financial statements within the timeframes set out on page 5. Our planning commenced in March 2024. This work includes:

- A review of the Authority's control environment
- Documenting our understanding of your financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

The results of our interim work will be reported in the detailed Audit Plan which we will bring to the July Audit and Scrutiny Committee. The Plan will also set out our proposed approach to the audit of your 2023/24 financial statements. We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 31 December 2024.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop held during the month of February 2024, where we highlighted the financial reporting requirements for local authority accounts and gave insights into elements of the audit approach. We also held an additional workshop in March 2024 for Surrey districts new to Grant Thornton which was attended by the S151 Officer and other members of your finance team. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Meetings

We met with Finance Officers in February as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Audit Deliverables

2023/24 Deliverables

	Planned Date	Status
<p>Progress Report</p> <p>The Progress Report sets out progress on 2023/24 planning and publications that may be of interest to the Council are set out in our Sector Update section</p>	April 2024	Issued
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Scrutiny Committee setting out our proposed approach in order to give an opinion on the Authority's 2023/24 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.</p>	July 2024	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the December Audit and Scrutiny Committee. This is subject to outcome on the backstop consultation and clarity over what work incoming auditors are required to complete, over opening balances.</p>	December 2024	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	31 December 2024	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	July 2024 (Interim report) 31 December 2024 (final)	Not yet due

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period. However, our expectations is to complete all necessary work by 31/12/2024

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up-to-date summary of emerging national issues and developments to support you. We show the current estimated financial trajectory of the sector and we cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

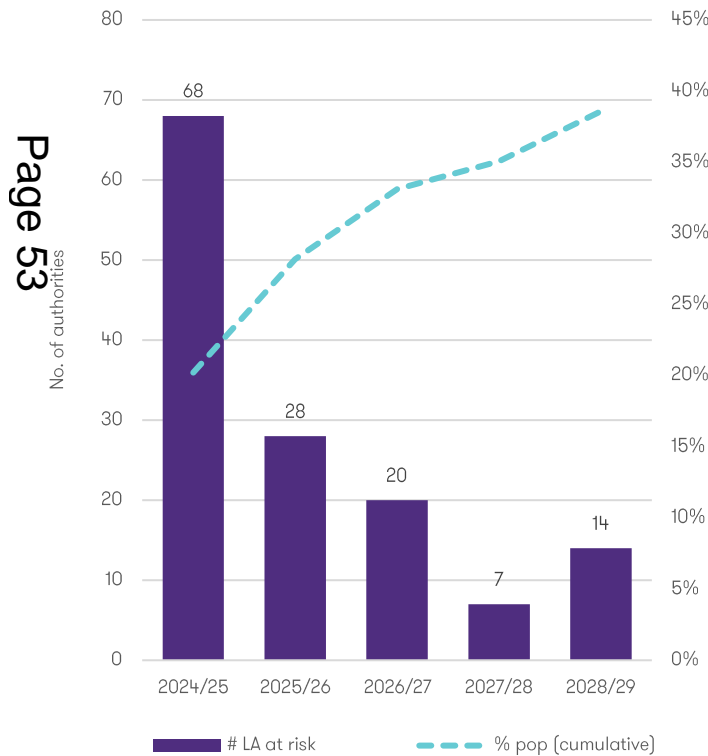
Local
government

The financial trajectory of the sector

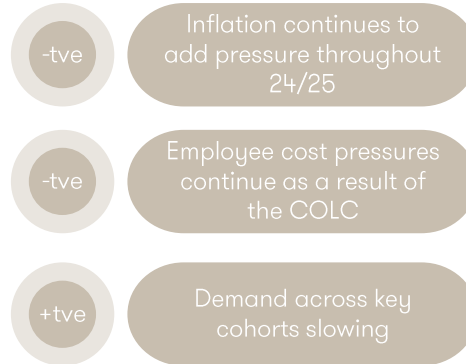
This is taken from the Grant Thornton/CIPFA Financial Foresight model, which provides long-term forecasts (revenue income and expenditure) for all councils in England. These forecasts are based on multiple assumptions relating to financial, demographic and economic factors. Councils at risk are defined by the level of usable reserves being less than 5% of net revenue expenditure.

The year at risk graph on the left represents the most recent update of the assumptions including the impact of the Autumn Statement and draft 2024/25 finance settlement. The graph on the right provides the position before this most recent update. This highlights that the year at risk for many councils has moved forward to 2024/25. The graph at the bottom of the page highlights the forecast depletion of reserves nationally, as councils manage ongoing financial pressures.

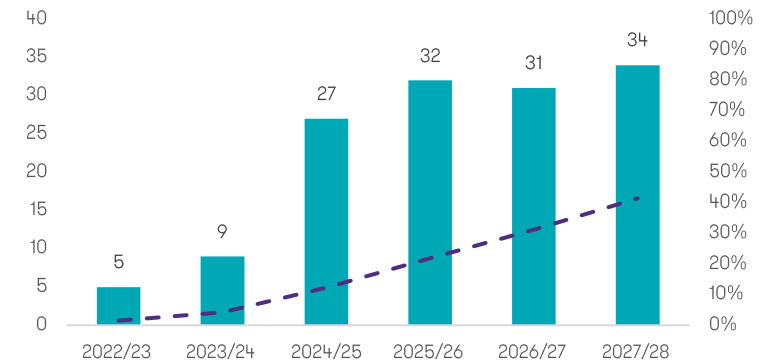
Year at risk (based on Jan 2024 forecast)



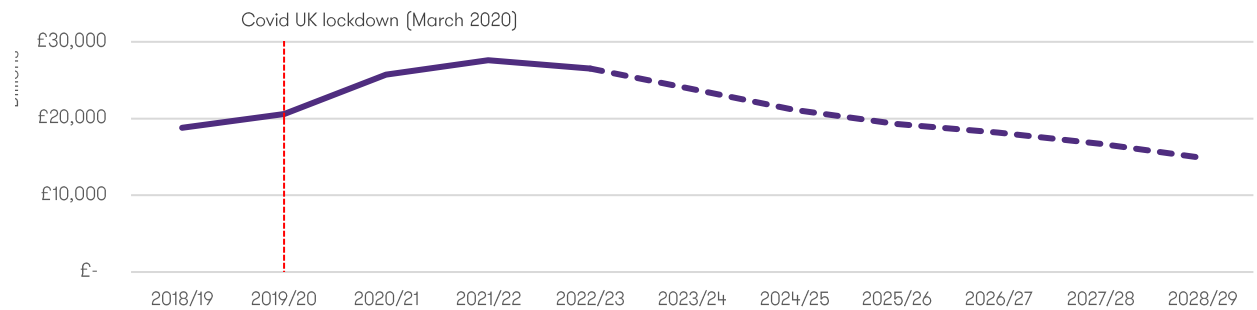
Assumptions



Year at risk (Historic Position)



Level of reserves



Source: Financial Foresight (Grant Thornton and CIPFA)

Addressing the delay in local audit

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November 2022. There has not been a significant improvement since, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated: [About time?: key challenges in local audit accounting](#).

Since 2019 Grant Thornton have increased our public sector audit team from 340 people to circa 470 which reflects both the additional work required by new accounting and auditing standards as well as the NAO Code of Practice requirements on value for money.

On 8th February 2024, DLUHC and the NAO both issued consultations on measures to address the delay in local audit. Consultations are open until 7th March 2024 and relate to:

- DLUHC - changes to the Accounts and Audit Regulations 2015 to introduce a backstop date of 30 September 2024 for the publication of audited accounts up to and including 2022/23, and a series of future backstop dates covering the remainder of the PSAA appointment period; and

- NAO - changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements.

The FRC, as shadow system leader, is facilitating the consultations. CIPFA/LASAAC are expected to go live on their proposals for time limited changes to the Financial Reporting Code for English bodies shortly.

To have your say, navigate to the consultations here:

The DLUHC landing page is here - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](#)

The NAO landing page is here - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](#)



Grant Thornton report: preventing failure in local government

Grant Thornton's December 2023 report Preventing Failure in Local Government offers prescriptions for remedies to support better health across the local government sector. The report looks at the opportunities that councils and their key internal and external players have to prevent failure, noting that the chain (of good governance) is only as strong as its weakest link.

The Audit Committee is listed as one of the key internal bodies with a role to play in preventing failure, along with the Executive, the Overview and Scrutiny Committee and the golden triangle of Chief Executive Officer; Finance Director; and Monitoring Officer. **Opportunities for the Audit Committee to make a difference** surround:

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- focusing on risk management alone (not having multiple roles);
- independence (having an independent chair and at least one independent member);
- specialist training and support for members of the committee;
- direction over internal audit (setting the standard for strategic risk focus and timeliness); and
- curiosity and asking the right questions.

Sharing the Auditor's Annual Report with full council is also listed as important. The challenge for Audit Committees will be not only to maximise their own opportunities to prevent failure, but knowing the right questions to ask about whether the Executive and other committees and the three key statutory officers are making the most of their opportunities as well.

For insight into effective questions to ask, read the full report from Grant Thornton here: [How can further local authority failures be prevented? \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)



Mitigating financial distress in Local Authorities

On 29th January 2024, a report by the Levelling Up, Housing and Communities Committee highlighted that in the last six years, eight local authorities have issued a section 114 notice, whereas none had done so in the eighteen years before that.

Income related issues were highlighted in the report around the below-inflation cap on increasing council tax rates (referendum thresholds) and formulaic weaknesses with the business rates retention scheme. Council tax especially was singled-out as regressive, long overdue for reform, and contributing to a disproportionately negative impact on funding levels in the most deprived areas of the country.

Expenditure related issues were listed in the report as surrounding social care; special educational needs and disabilities; and homelessness. The report highlighted that for children's social care, even the Competition and Markets Authority has recognised that the level of competition in the market is "not working as well as it should be" at maintaining prices at reasonable levels for local authority purchasers.

The report shows that nearly one in five Leaders and Chief Executives of other local authorities who have not already issued a s114 notice do assess themselves as being at "tipping point" due to lack of funding.

Whilst most of the recommendations in the report are aimed at Government, there are some **key takeaways for local authorities while they wait for any change that may come:**

- have we set Council Tax at the highest level possible without a referendum? Future changes could see referendum thresholds increased or removed. Are Councils doing all they can now to maximise this source of income?
- are we collaborating as effectively as we can with other local authorities to influence market prices for the services we buy in?

For insight into effective questions that Audit Committees can ask, read the full report here [*Financial distress in local authorities \(parliament.uk\)](https://www.parliament.uk/publications/2024/1/financial-distress-in-local-authorities)



Learning from the Office for Local Government

On 15th February 2024, the Secretary of State for Levelling up, Housing and Communities set out, in an open letter to the Chief Executive of Oflog, the strategic remit for Oflog for the financial years 2024 to 2027, and the Office's priorities for the financial year 2024/25. The priorities are to:

- inform;
- warn;
- support; and
- engage.

Using the new Local Authority data explorer tool (launched in July 2023), the Office can currently use metrics on waste management, planning, adult social care, roads, adult skills and corporate/ finance to compare any one authority with the English median, CIPFA nearest neighbours and trends over time. The Office is expected to develop a new early warning system to identify local authorities that are at risk of serious failure (but have not raised the alarm themselves) and to conduct 'early warning conversations' with local authorities at risk. It will be also be offering a programme of webinars to share best practice between local authorities, and to help improve performance, productivity and value for money.

Local Authorities and their members can familiarise themselves now with the data explorer metrics already publicly available. **Challenge questions for Audit Committees to ask include:**

- are the metrics consistent with our own benchmarking?
- are we showing early warning signs?
- what arrangements will we be making to make best use of the learning that will be on offer?



For a full copy of the remit letter and for access to data explorer metrics for your Local Authority see here:

[Remit letter from DLUHC Secretary of State to the Oflog Chief Executive - GOV.UK](#)

[\[www.gov.uk\]](https://www.gov.uk)

[About - Local Authority Data Explorer](#)

New workbook to support councillors in their work on community leadership

On 8th February 2024, the Local Government Association published a new workbook for Councillors, covering community leadership.

Effective community leadership matters because communities that are engaged tend to have happier, healthier people and lower levels of crime and anti-social behaviour. Declining voting and increased social detachments from local areas are also a concern. Councillors are in the unique position of being able to interface between citizens and the council and demonstrate directly what they have achieved for the people they represent.

The workbook shows that for effective community leadership, councillors need to:

- listen to and involve their local communities;
- build vision and direction;
- work effectively with partners;
- make things happen;
- stand up for communities;
- empower communities;
- be accountable; and
- use resources effectively.

With challenge questions; case studies; guidance, hints and tips; and a dedicated section for the opposition, the workbook makes for interesting reading for any councillor – new or already established.

[A councillor's workbook on community leadership | Local Government Association](#)



Making the most of levelling-up funds to local government

In November 2023, the National Audit Office published its report on whether the Department for Levelling Up, Housing and Communities' levelling up funds are likely to deliver value for money. The three significant funds are the Towns Fund (Town Deals and Future High Streets Fund programmes); the Levelling Up Fund (local priorities with a visible impact); and the UK Shared Prosperity Fund (to increase life chances and build pride in place). Between them, these funds are worth up to £10.6 billion and aim to allocate £9.5 billion to local places to be spent by 31 March 2026. However, less than half of the monies given to local places across the three schemes by 31 March 2023 had been spent. Because under current arrangements the funds are time limited, there is a risk that some projects may never be started and others, in the haste to complete, may include sub-optimal decisions.

Many of the delay factors are beyond Local Authorities' control: Rising costs, skills shortages and supply issues in the construction industry. However, the report does highlight that there are things Local Authorities can do to help with unblocking.

Key questions that Audit Committees can ask are:

- do we know which of our projects are on track and which are at risk?
- have all projects got their main contractor in place?
- has full advantage been taken of the ability to move money between sub-projects within individual bids?
- is advantage being taken of the ability to make changes to the scope and scale of projects without seeking approval if the changes do not exceed a 30% threshold?
- are projects being prioritized? So that those that can complete to time, do complete to time?

For the full report and an insight into wider recommendations for the Department, see [*Levelling up funding to local government \(nao.org.uk\)](https://www.nao.org.uk/reports/levelling-up-funding-to-local-government/)

£10.6bn	total amount announced through the Towns Fund, Levelling up Fund and UK Shared Prosperity Fund, to support the government's levelling-up agenda across the United Kingdom between 2020-21 and 2025-26
£9.5bn	the amount the Department for Levelling Up, Housing & Communities (DLUHC) has allocated to local places to be spent by 31 March 2026
£2.0bn	the amount DLUHC has given to local places so far across the three funds at 31 March 2023
£0.9bn	the amount spent by local places at 31 March 2023



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Internal Audit Progress Report (February 2024)

Audit & Scrutiny Committee – Thursday 11 April 2024

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

Purpose: For information

Publication status: Unrestricted

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 for 2023-24 and to provide an overview of the outstanding management actions.

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

Contact officer Mark Hak-Sanders – Director of Resources (Section 151)
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That the Committee notes the Internal Audit Progress Report – February 2024

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 the end of February 2024.

- 4 The progress report provides a clear and transparent articulation of internal audit activity, performance, and outcomes during the period up to the end of February 2024.

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

There are no equality implications associated within this report.

Climate change

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

Appendices

Appendix 'A' – Internal Audit Progress Report – February 2024

Background papers

None.

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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TANDRIDGE DISTRICT COUNCIL
INTERNAL AUDIT PROGRESS REPORT – 2023/24

Prepared by: Natalie Jerams, Deputy Head of Partnership

February 2024

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

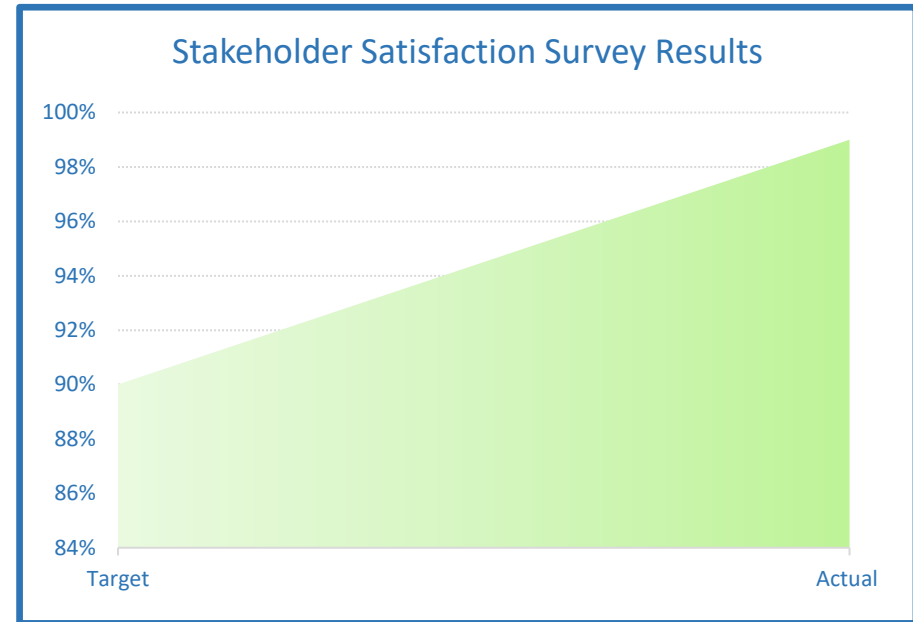
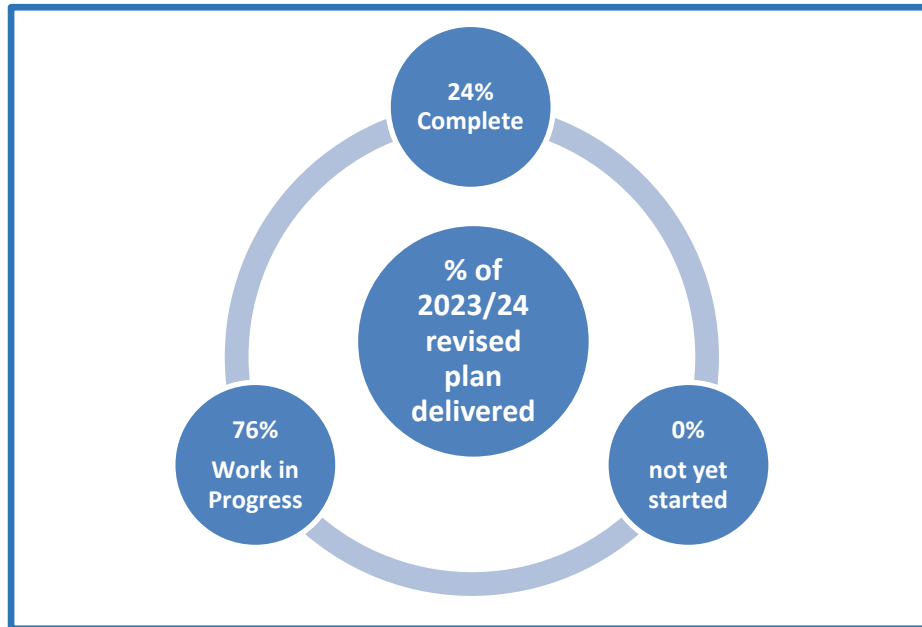
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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.

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
Income Collection	08.08.22	DofR	Reasonable	5(0)	0(0)	4(0)		1	
Business Continuity & Emergency Planning	08.09.22	HofC	Limited	12(11)	0(0)	11(10)			1
Environmental Health & Licensing	08.02.23	HofH	Reasonable	6(0)	1(0)	5(0)			
Accounts Payable	15.06.23	DofR	Reasonable	8(2)	0(0)	7(2)		1	
IT Application Management (Orchard)	16.08.23	DofR	Limited	20(10)	1(0)	19(10)			
Accounts Receivable & Debt Management	31.10.23	DofR	Reasonable	6(2)	4(0)	2(2)			
IT Disaster Recovery	13.11.23	DofR	Reasonable	8(0)	0(0)	6(0)	1	1	
Payroll	25.01.24	DofR	Limited	6(1)	3(0)	2(0)			1
Main Accounting	26.01.24	DofR	Limited	5(3)	5(3)	0(0)			
Total				76(29)	14(3)	56(24)	1	3	2

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

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

There have been no new reports published concluding a “limited” assurance opinion since our last progress report presented to Audit & Scrutiny Committee in February 2024.

6. Planning & Resourcing

The internal audit plan for 2023/24 was presented to the Management Team and the Audit & Scrutiny Committee in April 2023.

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	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2022/23 (carry forward)								
Health and Safety	HofE	✓	✓	✓	✓			Incorporated within the 2022/23 Annual Report & Opinion.
Main Accounting	DofR	✓	✓	✓	✓	☑	Limited	
Payroll	DofR	✓	✓	✓	✓	✓	Limited	
Operational Services	HofE	✓	✓	✓	✓	☑	n/a	Position statement.
Follow Up – Building Control	HofBC	✓	✓	✓	☑			
2023/24								
Corporate								
Savings Realisation / FTP	DofR	✓	✓	✓				Close of audit held, report pending.
Asset Management – Statutory Checks	DofR	✓	✓	✓				
Governance								
Human Resources & OD	DofR	✓	✓	☑				

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Ethical Governance	HofL&DS	☑	☑	☑				
IT								
IT Disaster Recovery	DofR	✓	✓	✓	✓	✓	Reasonable	
Security of IT Assets	Dof R	☑	☑	☑				
Core Financial Reviews								
Council Tax	DofR	✓	✓	✓				
NNDR	DofR	✓	✓	✓	☑			
Service Reviews								
Operational Services - Tree Inspections	HofE	✓	☑					
Homes for Ukraine	HofH	✓	✓	✓	✓	✓	Substantial	
Development Management	CPO	✓	☑	☑				
Community Infrastructure Levy/ S106	CPO	✓	☑					
Leisure Centres – Governance	HofC	✓	✓	✓	☑			
Other								
Follow Up – Fraud Framework	DofR	✓	✓	✓	☑	☑	n/a	
Follow Up – Contract Management	DofR	✓	✓	☑				
Follow Up – BC & Emergency Planning	HofC	✓	✓	☑	☑	☑	n/a	
Follow Up - Safeguarding	HofC	✓	✓	☑	☑			

☑ - This symbol reflects the progress that has been made since the last progress report was presented to the Audit & Scrutiny Committee on 6th February 2024.

Audit Sponsor					
CE	Chief Executive	DCE	Deputy Chief Executive	DofR	Director of Resources
HofL&DS	Head of Legal & Democratic Services	CPO	Chief Planning Officer	HofP&C	Head of Policy & Communications
HofE	Head of Environment	HofC	Head of Communities	HofH	Head of Housing
HofBC	Head of Building Control	HofA&R	Head of Assets & Regeneration		

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the 2023/24 plan to date.

Plan Variations for 2023/24	
Added to the plan	Reason
Community Infrastructure Levy (CIL) / S106	To review the collection and distribution of CIL/S106.
Security of Assets	To review policy and processes in place for the secure retention and removal of IT assets
Removed from the plan	Reason
Housing Voids	Reschedule to enable completion of the ongoing service review in this area.
Cyber Security	Replaced by higher priority review of Security of IT Asset following loss / theft of laptops earlier in the year

Internal Audit – Quarterly Planning Approach

Audit & Scrutiny Committee – Thursday 11 April 2024

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

Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report provides the Southern Internal Audit Partnership proposal to adopt a quarterly approach to internal audit planning for the 2024-25 and future plans.

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

Contact officer Mark Hak-Sanders – Director of Resources (Section 151)
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That the Committee endorses the approach to quarterly internal audit planning

Reason for recommendation:

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required establish a risk based plan to determine the priorities of internal audit, consistent with the organisations goals.

Introduction and background

- 1 Currently the Southern Internal Audit Partnership (SIAP) approach to internal audit planning within Tandridge District Council is premised on an annual plan which is presented to Members for approval in March each year projecting internal audit activity over the forthcoming 12 months.
- 2 This approach has served us well; however, we are now operating in an increasingly more volatile and dynamic environment requiring us to adapt our approach and develop a more risk based and agile approach to our audit planning process and whilst the current approach enables a longer-term projection of audit focus it remains speculative given the rapidly changing environment in which the Council and SIAP operate.
- 3 Audit planning is a perpetual process that should enable the ability to react to new and emerging risks and the changing needs of the organisation.
- 4 This is currently managed through the annual planning process making necessary adjustments to the annual internal audit plan over the course of the year either in respect of revisions to the timing the work is undertaken or to the audit entity being reviewed.
- 5 With the plan agreed in March each year a number of the changes occur due to competing capacity or timing issues for officers and the auditors as reviews may have been given a speculative window for completion some six to ten months in the future. This can lead to significant inefficiencies both for the organisation and for SIAP.
- 6 To ensure internal audit focus remains timely and relevant for the Council and to optimise officer resource and capacity, SIAP would like to propose to move to a quarterly planning process from 2024/25.
- 7 Quarterly planning would facilitate a much more agile approach and has worked successfully with other Partner organisations that have already adopted this methodology.
- 8 In adopting the quarterly planning approach, all auditable areas of review would remain subject to ongoing assessment and discussion with management and Committee, however, our focus would be on the most critical reviews (highest risk) for the organisation at that time.
- 9 Experience of the quarterly planning approach by SIAP and other audit services who have adopted it, has found it also negates multiple variations to the plan having to be presented to Members and enables them to have greater assurance each quarter that the plan they are approving is a more committed representation of assurance to be provided during that period.
- 10 Some of the advantages of the quarterly planning process include:

- More agile approach to react to new and emerging risks
- More effective engagement with officers
- More efficient and effective end to end delivery of the review (client capacity / availability)
- Greater engagement with the Audit & Scrutiny Committee
- Audit & Scrutiny Committee achieve real time approval of the plan, rather than retrospective acknowledgement of changes.

Process

- 11 The proposed adoption of quarterly planning provides a modern, agile, and forward-thinking approach that remains compliant with the current Public Sector Internal Audit Standards and places SIAP and Tandridge District Council in an excellent position for the future adoption of the Global Internal Audit Standards that will supersede the Public Sector Internal Audit Standards in January 2025.
- 12 It is proposed that all potential audit areas will be reviewed and reassessed on a quarterly basis which will be informed through meetings with key stakeholders.
- 13 Once all meetings have concluded, the quarterly internal audit plan will be compiled and presented to Extended Management Team (EMT) and Audit & Scrutiny Committee for approval.
- 14 The timings of the Audit & Scrutiny Committee are well aligned to the financial quarters in which we operate therefore optimising input and approval from Members prior to the commencement of audit work. An indicative timetable is included below for illustrative purposes.

	Q1	Q2	Q3	Q4
Planning meetings	Feb 24	May 24	Jul 24	Oct 24
Senior Management approval	Mar 24	Jun 24	Aug 24	Nov 24
Audit & Scrutiny Committee approval	Apr 24	Jul 24	Sep 24	Dec 24

Conclusion

- 15 The Southern Internal Audit Partnership want to ensure our Partners continue to receive a high quality, innovative, and agile internal audit service.
- 16 The proposed transition to quarterly planning will be beneficial to both the organisation, Committee and SIAP, optimising, focus, flexibility, efficiency, and effectiveness, which has been demonstrated in other organisations that have adopted the quarterly planning approach and aligns with industry good practice.

Key implications

Comments of the Chief Finance Officer

There are no financial implications of moving to a quarterly approach. It will not change the total days available or the cost of them over the course of the financial year. There are clear advantages in allowing a more agile approach to audit planning throughout the year, first of which is increased flexibility to respond to emerging risks, Officer and Committee Member priorities for audit.

Discussions with the Head of Southern Internal Audit Partnership and the Committee Chair and Vice Chair have also made it clear that Members are able to raise concerns directly with Internal Audit should they feel it necessary to do so, and any such concerns will be considered in the planning for each quarter. Whilst Officers would very much prefer Members raise queries directly with the management of the Council, this direct line to Internal Audit is an important governance mechanism.

Comments of the Head of Legal Services

Legislation dictates the objectives and purpose of Internal Audit the requirement for an Internal Audit function is either explicit or implied in the relevant local government legislation.

Section 151 of the Local Government Act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs" and to ensure that one of the officers has responsibility for the administration of those affairs.

In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices".

Although there are no legal implications to provide an update quarterly, the primary objective of each quarterly audit should be to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found, the Head of Southern Internal Audit Partnership should propose solutions to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if this Committee, together with input from senior management, agree management actions and implement changes in a timely manner.

Equality

There are no equality implications associated within this report.

Climate change

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

Appendices

None.

Background papers

None.

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Internal Audit Plan 2024-25 (Q1)

Audit & Scrutiny Committee – Thursday 11 April 2024

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

Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report presents the Internal Audit Plan 2024-25 (Q1) providing an overview of intended use of internal audit resource.

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

Contact officer Mark Hak-Sanders Chief Finance Officer and Section 151 Officer
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That the Committee approves the Internal Audit Plan 2024-25 (Q1)

Reason for recommendation:

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to produce an Internal Audit Plan for approval by Senior Management and the Audit & Scrutiny Committee.

Introduction and background

- 1 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:
 - The framework of internal control, risk management and governance is appropriate and operating effectively; and
 - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.
- 2 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. Internal audit focus should remain proportionate and appropriately aligned to key areas of organisational risk.
- 3 To ensure internal audit focus remains timely and relevant for the Council and to optimise officer resource and capacity, SIAP would like to adopt a process of quarterly planning from 2024/25.
- 4 It is perceived that the transition to quarterly planning will be beneficial to both SIAP and the organisation, optimising, focus, flexibility, efficiency, and effectiveness.
- 5 All auditable areas of review remain subject to ongoing assessment. The audit plan will remain fluid to ensure internal audits ability to react to the changing needs of the Council.
- 6 Other reviews, based on criteria other than risk, may also be built into the work plan. These may include 'mandatory' audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance.
- 7 Appendix A provides a copy of the Internal Audit Plan 2024-25 (Q1) for review and comment.

Key implications

Comments of the Chief Finance Officer

The Internal Audit Plan provides an overview of the audit work to be undertaken on which the Chief Internal Auditor will base his annual report and opinion and to inform the Council's Annual Governance Statement. There are 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 Internal Audit Plan provides an overview of internal audit activity to enable assurance over the Council's framework of risk, control and governance.

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 Plan 2024-25 (Q1)

Background papers

None.

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Southern Internal Audit Partnership

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TANDRIDGE DISTRICT COUNCIL INTERNAL AUDIT PLAN 2024-25 (Q1)

Prepared by: **Neil Pitman, Head of Partnership
& Natalie Jerams, Deputy Head of Partnership**

March 2024

Introduction

The role of internal audit is that of an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

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 organisation’s objectives.

The aim of internal audit’s work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council’s objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of Internal Audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership’s continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Natalie Jerams, Deputy Head of Southern Internal Audit Partnership and supported by Joanne Barrett, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

Page 85
Considering all sources of evidence the external assessment team 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.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team which are required to be disclosed under internal auditing standards.

Council Strategic Plan 2020-21 / 2023-24

The Council have developed a Strategic Plan for 2020-21 to 2023-24 setting out four key priorities:

1. **Building a better Council** - making the Council financially sustainable and providing residents with the best possible services.
2. **Creating the homes, infrastructure and environment we need** – both now and in the future.
3. **Supporting economic recovery in Tandridge** – from lockdown to growth that everyone benefits from.
4. **Becoming a greener, more sustainable District** – tackling climate change.

Council Risk

The Corporate risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the corporate risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

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Score	Risk Description
16	P1 - Implications of draft Tandridge Local Plan 2033 being found unsound by the Inspector.
16	P2 - Lack of five year housing land supply, including gypsy and traveller land.
16	P3 - Lack of capacity in planning team and issues with IT systems negatively impacts performance and delivery of service, such as determining applications within statutory timeframes and providing governmental statistical returns.
12	CS3 - Delays in monitoring council owned trees and impact of Ash dieback creates greater risk of tree falls.
12	H1 - Council fails to deliver the target number of properties in the Council House Building Programme, due to poor performance of the contractor, planning delays, unplanned costs, availability of materials and utility providers
9	CS5 - Failure of Freedom Leisure Contract.
9	SR4 - Failure to meet rental income targets due to market difficulties of renting out council assets and current business tenants not able to make rent payments.
9	SR9 - Delivering climate change action plan in set timescales.
9	SR10 – Organisational capacity to deliver is impacted.
8	SR1 - Inability of Council to make savings as identified in the Medium-Term Financial Strategy and to delivered a balanced outturn for 2023/24 and 2024/25.
8	SR5 - Council is subject to a cybersecurity attack.
6	SR12 - Corporate Health and Safety policies and procedures not in place.

*Corporate Risks as at January 2024

Developing the internal audit plan 2024/25 (Q1)

In accordance with the Public Sector Internal Audit Standards there is a requirement that internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation’s goals.

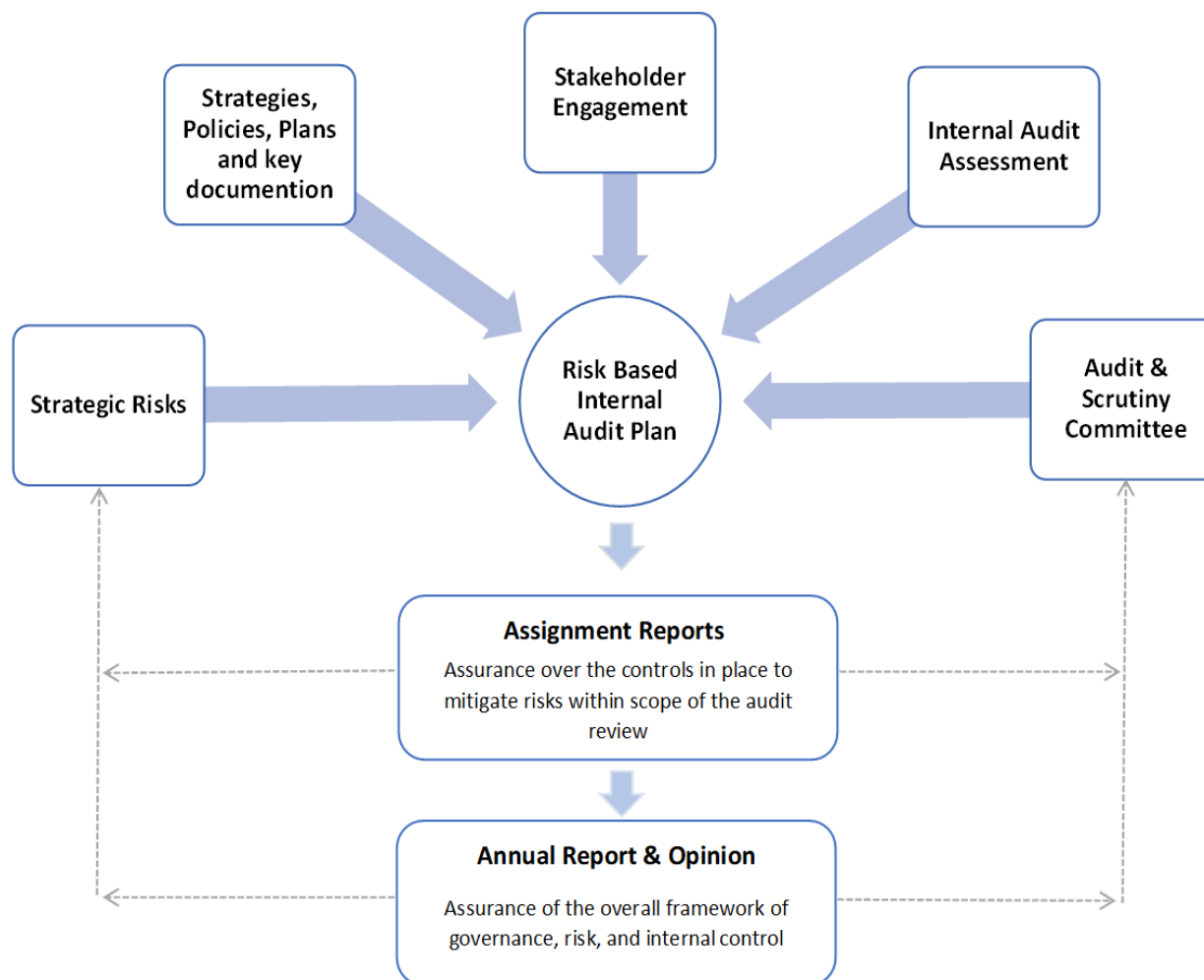
Audit planning is a perpetual process throughout the course of the year to ensure we are able to react to new and emerging risks and the changing needs of the organisation.

To ensure internal audit focus remains timely and relevant, the Southern Internal Audit Partnership has moved to a quarterly planning process.

Based on conversations with key stakeholders, review of risk registers, key corporate documents and our understanding of the organisation, the Southern Internal Audit Partnership have developed a plan of proposed internal audit coverage during quarter 1.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.



Internal Audit Plan 2024-25 – Quarter 1

Audit	Sponsor	Scope/ Risk	Strategic / Committee Risk	Quarter
Information Governance (FOIs)	HofL&DS	To review the arrangements in place for the management of FOIs received.	SR11	Q1
Asset Management – Tenancy and Income Management	HofA&R	Assurance over the review and management of tenancies and rental income.	SR4	Q1
Housing Allocations	HofH	Assurance over the assessment, approving and prioritising of applications on the Housing Register.		Q1
Management		To include audit planning, reporting, attendance at Executive Management Team and Audit & Scrutiny Committee, action tracking, liaison with key stakeholders and annual report and opinion (2023-24).	-	Q1

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Audit Sponsor					
CE	Chief Executive	DCE	Deputy Chief Executive	DofR	Director of Resources
HofL&DS	Head of Legal & Democratic Services	CPO	Chief Planning Officer	HofP&C	Head of Policy & Communications
HofE	Head of Environment	HofC	Head of Communities	HofH	Head of Housing
HofBC	Head of Building Control	HofA&R	Head of Assets & Regeneration		

Internal Audit Charter 2024 - 25

Audit & Scrutiny Committee – Thursday 11 April 2024

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

Purpose: Decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report presents the Internal Audit Charter 2024-25 in accordance with the requirements of the Public Sector Internal Audit Standards.

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

Contact officer Mark Hak-Sanders – Director of Resources (Section 151)
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That the Committee approves the Internal Audit Charter 2024/25

Reason for recommendation:

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to produce an Internal Audit Charter for approval by Senior Management and the Audit & Scrutiny Committee.

Introduction and background

1. The Accounts and Audit (England) Regulations 2015 state:

'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.'

2. The Public Sector Internal Audit Standards (attribute standard 1000) requires that all internal audit activities maintain an 'internal audit charter'.

3. The charter is a formal document that defines the internal audit activity's purpose, authority and responsibility consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.

4. The internal audit charter establishes internal audits position within the organisation including:

- Recognising the mandatory nature of the Public Sector Internal Audit Standards
- Defining the scope of internal audit responsibilities.
- Establishing the responsibilities and objectives of internal audit.
- Establishing the organisational independence of internal audit.
- Establishing accountability and reporting lines (functional and administrative).
- Setting out the responsibilities of the board and the role of statutory officers with regard to internal audit.
- Arrangements that exist with regard anti-fraud and anti-corruption.
- Establishing internal audit rights of access.
- Defining the terms 'board' and 'senior management' for the purpose of internal audit; and
- Arrangements in place for avoiding conflicts of interest.

5. In accordance with the Standards the internal audit charter should be reviewed annually (minimum) and approved by senior management and the Audit & Scrutiny Committee

6. Appendix A provides a copy of the Internal Audit Charter 2024/25 for review and comment.

Key implications

Comments of the Chief Finance Officer

The Internal Audit Charter provides clarity over the role and expectations of internal audit with particular regard to their independence and reporting lines within the Council. There are 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 Internal Audit Charter is intended to provide an overview of internal audits purpose, authority and responsibility. An effective internal audit protects the Council and its Officers and provides an assurance to stakeholders and residents regarding the security of the Council's operations.

Equality

There are no equality implications associated within this report.

Climate change

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

Appendices

Appendix 'A' - Internal Audit Charter 2024/25

Background papers

None

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Southern Internal Audit Partnership

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TANDRIDGE DISTRICT COUNCIL INTERNAL AUDIT CHARTER 2024/25

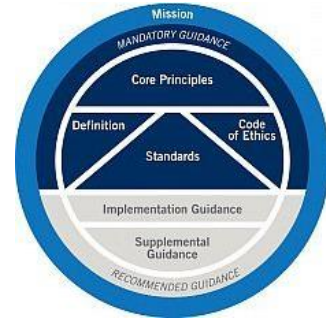
Prepared By: Neil Pitman, Head of Partnership
& Natalie Jerams, Deputy Head of Partnership
March 2024

1. Introduction

The Public Sector Internal Audit Standards ('the Standards') provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework ('IPPF') which also includes:

- the mission
- core principles
- definition of internal audit
- Code of Ethics.



The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.

The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility that is consistent with the mandatory requirements of the Public Sector Internal Audit Standards ('PSIAS') and Local Authority Guidance Note (LGAN') produced by the Chartered Institute of Public Finance and Accountancy ('CIPFA') and the Chartered Institute of Internal Auditors ('IIA').

2. Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles'¹ underpin delivery of the IPPF mission:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

¹ [Public Sector Internal Audit Standards](#)

3. Authority

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

‘undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

4. Purpose

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 organisation’s objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

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’.

5. Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within the Council lies with the Director of Resources (‘S151 Officer’). For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the ‘Mission’, ‘Core Principles’, ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and ‘the Standards’.

6. Organisational Relationships

The Chief Internal Auditor reports functionally to the Audit & Scrutiny Committee, and organisationally to the Director of Resources who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality, and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e., the Audit and Scrutiny Committee).

The Chief Internal Auditor will promote a co-operative and professional working relationship with the Council's external auditors.

7. Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, Management Team, and other professionals.

The Director of Resources will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications, and experience required to deliver the audit plan.

The Internal Audit plan will identify the audit days required to complete the work, thereby highlighting sufficiency of available resources.

The Management Team and Audit & Scrutiny Committee will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The Internal Audit plan will be submitted to the Management Team and Audit & Scrutiny Committee, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Matters that jeopardise the delivery of the plan or require significant change will be identified, addressed, and reported to the Management Team and Audit & Scrutiny Committee for approval. 'Significant' shall mean changes that in the Chief Internal Auditors opinion will inhibit their ability to deliver an annual opinion.

If the Chief Internal Auditor, Audit & Scrutiny Committee or Management Team consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Director of Resources (S151) accordingly.

8. Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased, and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities
- operates in a framework that allows unrestricted access to the Management Team and the Audit & Scrutiny Committee
- reports functionally to the Audit & Scrutiny Committee
- reports in their own name
- rotates responsibilities for audit assignments within the internal audit team
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to the Management Team and the Audit & Scrutiny Committee. The nature of the disclosure will depend upon the impairment.

9. Due professional care

Internal auditors will perform work with due professional care, competence, and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity, and respect.

Internal auditors will apprise themselves of the 'Mission', Core Principles', Definition of Internal Auditing', the 'Code of Ethics' and the 'Standards' and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported in accordance with the Council's Anti-fraud and Corruption Policy.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. On such occasion the Chief Internal Auditor will liaise with the S151 and/or the Monitoring Officer as appropriate to inform them of the request and intended disclosure. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

10. Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel, and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

11. Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

Any audit with a no assurance opinion will be subject to re-performance within a year from the date the final report was issued. A contingency allowance will be factored into audit plans to undertake follow up reviews in areas where a limited assurance opinion has been provided in the prior year. The progress in the implementation of agreed management actions is also reported to the Audit and Scrutiny Committee as part of its regular activity reports. Repeated failure to implement the agreed management actions will be reported to the Audit and Scrutiny Committee, who may call the appropriate Officer to account for the failure to correct the control environment.

Managing the risk of fraud is the responsibility of line management and strategic responsibility for reactive and proactive fraud work sits with the S151 Officer who would ensure any suspected or detected fraud or corruption was investigated.

The Council participates in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other local authorities and external agencies to detect potentially fraudulent activity.

The S151 Officer will notify SIAP of any suspected or detected fraud to inform their opinion. They will instruct either SIAP or an external provider to undertake any investigations or reviews as required. SIAP will review the governance arrangement to prevent, detect and investigate fraud and irregularities on a cyclical basis.

12. Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report will incorporate as a minimum:

- The opinion
- A summary of the work that supports the opinion
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Management Team

As those responsible for the leadership and direction of the Council it is imperative that the Management Team are engaged in:

- approving the internal audit charter (minimum annually)
- approving the risk based internal audit plan
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters

- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Audit & Scrutiny Committee

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Audit & Scrutiny Committee. Such reporting will include:

- approving the internal audit charter
- approving the risk based internal audit plan and any significant variations
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

13. Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to the Management Team and the Audit & Scrutiny Committee for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Crawley Borough Council Arun District Council Guildford Borough Council Hart District Council
Blue light Key Stakeholder Partners:	Hampshire & IoW Fire & Rescue Authority West Sussex Fire Service Office of the Hampshire & IoW Police & Crime Commissioner / Hampshire & IoW Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Ringwood Town Council Lymington & Pennington Town Council Langstone Harbour Authority Chichester Harbour Authority Isle of Wight College

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

Future Tandrige Programme Update

Audit & Scrutiny Committee 11 April 2024

Report of: Chief Executive Officer

Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary

The overall aim of the Future Tandrige Programme ('FTP') programme is to transform the operating model for the Council, to create a smaller, more strategic, agile and responsive organisation, with resources targeted at Council priorities and which is underpinned by a more business-like approach to the way that the Council operates.

A key part of the FTP is the identification and delivery of savings identified in the Service Reviews and to ensure a balanced budget is delivered for 2023/24.

An overview on 2023/24 savings and the impact to residents and the Council can be found in the Strategy & Resources Committee 2023/24 Budget and Medium-Term Financial Strategy report of 31st January 2023. This report should be read in conjunction with the budget papers. A further update on the delivery of savings was included in the FTP report to Strategy & Resources Committee respectively on the 30th March, on the 29th June, 28th September and 30th January 2024.

As agreed with this Committee previously, the focus of this report is on governance, risk and issue management to maximise the opportunity for the FTP to be successful.

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

Contact officer: David Ford – Chief Executive dford@tandrige.gov.uk

Recommendation to Committee:

1. To note the direction of travel for the FTP and the savings identified for delivery in 2023/24.
2. To note progress made and next steps on the savings identified for delivery in 2024/25.
3. To note the approach to risk management being applied and the current programme level risks identified in Appendix B.

Reason for recommendation:

To continue to provide confidence in the governance structure of the FTP and to demonstrate that there is a clear risk management process with escalation in place.

1 Background

1.1 Financial context

At the Strategy & Resources Committee on 30th June 2022, a savings requirement of up to £2m for 2023/24 was identified to meet the likely shortfall between income and projected expenditure and identified the need for service reviews to deliver a significant proportion of these savings.

The Draft Budget report to the Strategy & Resources Committee on 1st December 2022 set out the savings that needed to be delivered in 2023/24. This was reconfirmed as part of the final budget which was proposed to Strategy & Resources on 31st January 2023. On 9th February 2023, these were approved by Full Council and therefore became the approved savings plan for 2023/24. The final savings plan totals £1.7m.

This report focuses on the governance and risk management arrangements for the FTP. The focus has now firmly moved to delivering the programme, ensuring the planned savings translate to successful achievement of a balanced outturn for 2023/24.

Alongside this, planning for 2024/25 is progressing, including the need for a new Corporate Plan to shape the priorities of the Council and inform future budgets. Details of the 2024/25 budget process were taken to Strategy & Resources Committee on the 29th June 2023 and further details provided on 28th September. A member workshop took place on 31st October, where the draft budget was subject to informal consultation with Members. This was followed by Strategy and Resources Committee consideration in November and was taken to committee for final approval in January/February. The final budget was presented to Strategy and Resources Committee on 30th January 2024.

1.2 Future Tandridge Programme

A key part of the programme is the consistent and rigorous review of all services which fundamentally challenges how and why the Council provides the services it does. The focus is on identifying outcomes which support the longer-term operating model for the Council, balanced against short term opportunities to deliver the budgeted savings in 2023/24.

During 2023, a full progress update on the programme was reported to this Committee on 31st January 2023; 30th March 2023, 29th June, 26th September 2023 and on 30th November 2023 and February 6th 2024.

The delivery phase of the programme is now progressing with plans developed by all service workstreams, with key milestones, resource requirements and associated risks.

The latest programme roadmap and programme highlight report and can be found in Appendices A and E.

1.4 Savings approach for 2024/25

Work has completed on identifying the savings target for 2024/25 and the details were included in the Strategy & Resources Committee paper for 30th January 2024. The delivery of the 2024/25 budget will be subject to risk management arrangements consistent with the FTP and 2023/24 savings. Management of those risks will be reported to Audit and Scrutiny Committee during 2024/25.

2 Governance

Through the delivery phase of the programme, the governance and workstream structure for the programme operates at three levels, further details of which can be found in Appendix C.

3 Risk and Issue Management

3.1 Risk and issue management is undertaken at programme and workstream level. Programme level risks are recorded on a programme risk register and managed through the Programme and Benefits Delivery Board.

Risks are identified, reviewed, assessed and appropriate mitigation is determined to seek to reduce the level of risk identified.

3.2 Each risk has an assigned owner and is given both a pre and post mitigation rating. Risks are assessed through the Programme and Benefits Delivery board and regular service review meetings with the FTP team and Heads of Services which are updated regularly to reflect where the mitigation or scores may have changed.

3.3 Following a review of the FTP risk management process, the process has been modified to make more transparent the changes in post mitigation scoring. Individual mitigating actions relating to a risk and their relative status clearly indicate whether the status has resulted in a change in the score. Where a mitigating action has been completed, this will result in a lowering of the post

mitigation risk score. Where mitigating actions have not started or are in progress, this will be indicated in the Mitigating action status column. Additionally, the risk register now tracks any changes in the risk score in order to provide an audit trail. Further conversations are due to take place with the Chair of Audit & Scrutiny to provide additional assurance on the methodology used.

- 3.4 A view of the current FTP Programme Risk register can be found in Appendix B of this document.
- 3.5 Risks and Issues are also managed at workstream level where these are specific to individual workstreams or projects. Project level risks are escalated to programme level for management through the Programme and Benefits Delivery board where their significance to the overall success of the programme warrants this.
- 3.6 In addition to the above, all Heads of Service will capture risks relevant to delivery of their savings which are reviewed with the Programme team and escalated as required.

4. Savings delivery update

- 4.1 Savings delivery for 2023/24 is tracked monthly by the programme team in conjunction with Finance and Heads of Service. A recent internal audit review on the Council's arrangements for savings delivery provided 'substantial' assurance. The audit is being repeated in the current financial year and is nearing conclusion.
- 4.2 The table, below, is the key indicator of progress in delivering the savings. The position has improved since the previous update to Committee in January 2024. Whilst £255k remains amber, £220k of this relates to homelessness costs (£150k) and rental income (£70k) where certainty will only be gained much closer to year-end. Whilst this position is based on the Quarter 3 update to Strategy & Resources Committee on the 26th March 2024, the financial year is now complete and Finance are in the process of finalising homelessness costs and rental income with Housing and Assets respectively.

		January	February			Variance
RAG status	RAG rating determination	Total Jan 2023 £000	Staff savings 23/24 £000	Non-Staff savings 23/24 £000	Total Feb 23/24 £000	Movement Jan to Feb £000
	Savings delivered	£961	£572	£418	£990	£29
	Clear plans, realistic timescales	£252	£65	£198	£263	£11
	Some risks to delivery or detailed delivery plan still in development	£255	£0	£255	£255	£0
	Significant risks to delivery, delivery plan yet to be agreed	£40	£0	£0	£0	(£40)
	Savings target will not be met this year	£146	£120	£26	£146	£0
	Totals	£1,654	£757	£897	£1,654	£0

This review shows that £990k of savings are marked as complete, i.e., all necessary actions have been taken in order to deliver the saving.

A further £263k is marked as green, this relates to delivery of improvements relating to the Southern Building Control Partnership, ongoing work to develop a shared service with RBBC to deliver Revenues and Benefits to other local authorities, along with an element of savings expected in Customer Services and Operations.

The position across delivered and green rated savings has improved by £40k since the Quarter 2 report.

£26k in Regulatory Services is marked as unachievable in 2023/24, due to a change in the management leads at Tandridge District Council and Mole Valley District Council and the subsequent need for a reset on the savings proposed. This is likely to be offset by other savings within Regulatory Services to achieve a balanced budget, but the longer-term change is still required and will be pursued in 2024/25. The Deputy Chief Executive is actively discussing savings in this area with counterparts at Mole Valley District Council. £35k in IT is also marked as unachievable in 2023/2024, with the saving being rephased into 2024/25.

£85k of Senior Management restructure savings has been marked as unachievable for 2023/24 due to a portion of the management structure saving being reinvested into Planning.

The Amber element of £255k reflects the risks to delivery of savings planned over the final quarter of the year. This consists of the following:

- £150k saving from better utilisation of the Homelessness Grant Funding, where the final position is being agreed.
- £70k of Assets and FM savings, which are partly dependent on increased lettings at the Council Offices, Oxted and Quadrant

House in Caterham and transfer of responsibility for maintenance to leaseholders. Although plans are in place for this, certainty will only come with additional lettings. A reserve exists to mitigate this risk and the final position for the year is being agreed.

- £25k in Revenues and Benefits – marked as amber as relies on working with external partners with plans being progressed in detail.
- £10k in Customer Services – reviewing outgoing mail, printing and postage savings opportunities.

4.4 A summary of the black rated items can be found in Appendix D and further details were provided to Strategy and Resources Committee on 26th March; the purpose of this report is to demonstrate at a programme level that risks in the delivery of savings are being managed adequately.

4.5 In addition, during 2022/23 a 'Savings Delivery' audit was carried out by SIAP as part of the internal audit plan. This determined that the assurance for savings delivery was "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."

A repeat of this audit is nearing completion for 2023/24 to ensure that the assurance remains in place.

5 Resourcing

Work to identify an Organisational Development lead remains ongoing, including discussions with neighbouring authorities on whether resource can be shared.

Resourcing requirements for the remainder of the programme were detailed in the November Strategy & Resources Committee report.

6 Comments of the Chief Finance Officer

The FTP is the key mechanism for driving value for money from Council services and for delivering the £1.7m savings target for 2023/24. Effective risk management, and the oversight of Audit & Scrutiny committee, are key elements of ensuring the success of the programme. The full financial context to the FTP is set out in the 2023/24 Budget and Medium-Term Financial Strategy report to Strategy & Resources on the 31st January 2023, as updated by subsequent reports to Strategy & Resources Committee. With delivery of the 2023/24 savings plan nearing completion, attention will now turn to delivery for 2024/25 and planning for 2025/26.

7 Comments of the Head of Legal Services

The delivery of the savings associated with the FTP are key to supporting the Council in closing the financial gap in the current and future years. Risks are assessed regularly and significant issues reported to the Programme and Benefits Delivery Board. This ensures that issues, concerns and risks are

responded to and dealt with appropriately. It also means that the timely delivery of savings are monitored closely.

7 Equality

The Council has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equalities legislation are considered prior to any decision being made.

Section 149 of the Equality Act 2010, provides that a public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
- advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/fait, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

Members should have due regard to the public-sector equality duty when making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.

The Officers have reviewed the impact of the closure of the Finance Transformation programme and the outcome of this is that the action have no negative or positive impact on protected characteristics and residents. However, the Council will continually monitor the effect of the Budget-setting process and decision-making by using equality impact assessments.

8 Climate change

There are no direct impacts on environmental aspects in this programme to report. Climate change implications will be assessed as part of any changes to service provision through a business case process.

Appendices

Appendix A - FTP Programme Roadmap

Appendix B - FTP Risk Register

Appendix C - Programme Governance

Appendix D – Overall Assessment of Savings overview 23/24

Appendix E - FTP Programme highlight report – March 2024

Appendix F - Glossary of Terms

Background papers

S&R Committee Report 1st February 2022

S&R Committee Report 30th June 2022

S&R Committee Report 29th September 2022

S&R Committee Report 1st December 2022

S&R Committee Report 31st January 2023

S&R Committee Report 30th March 2023

S&R Committee Report 29th June 2023

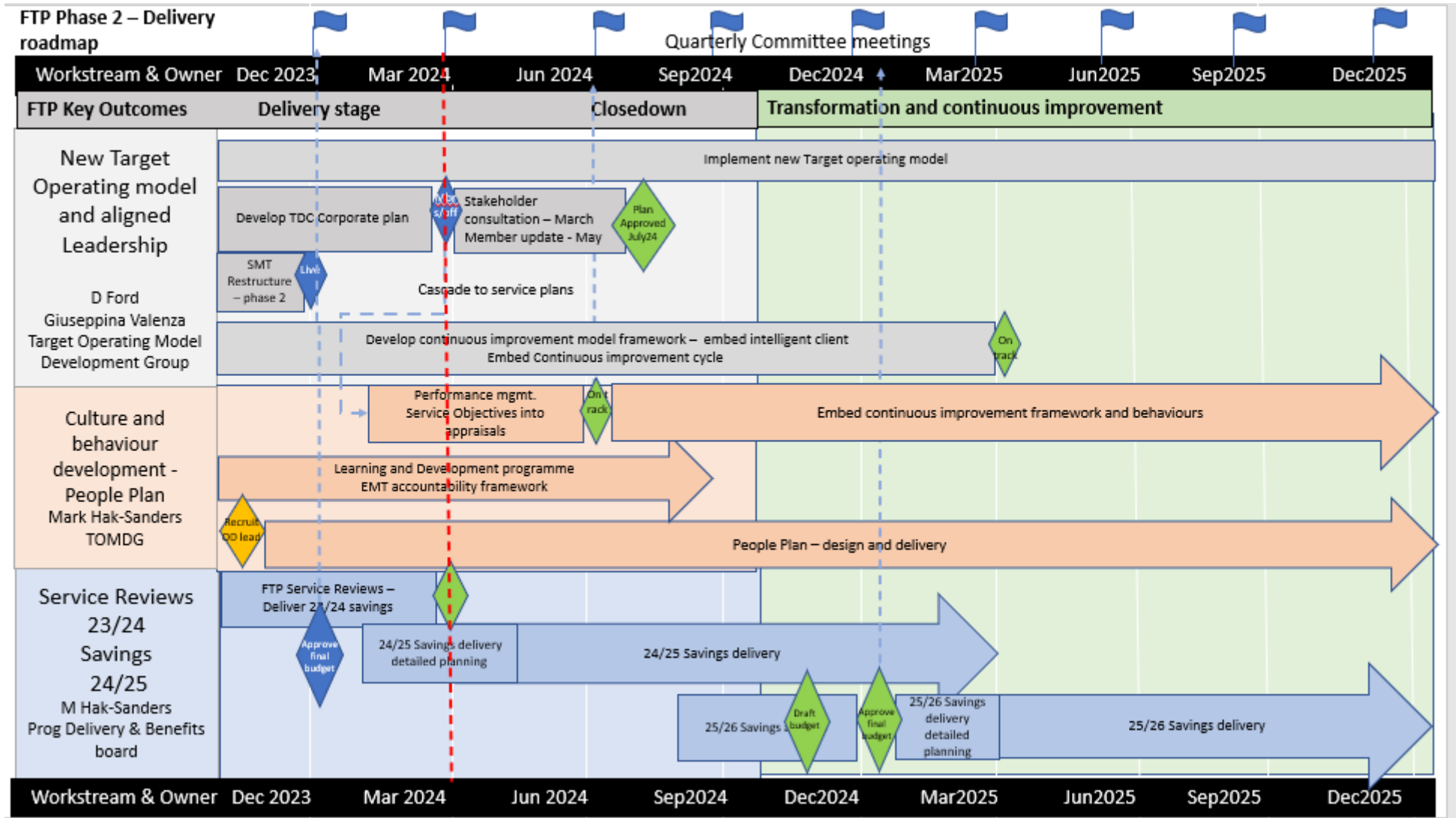
A&S Committee Report 5th July 2023

A&S Committee Report 26th September 2023

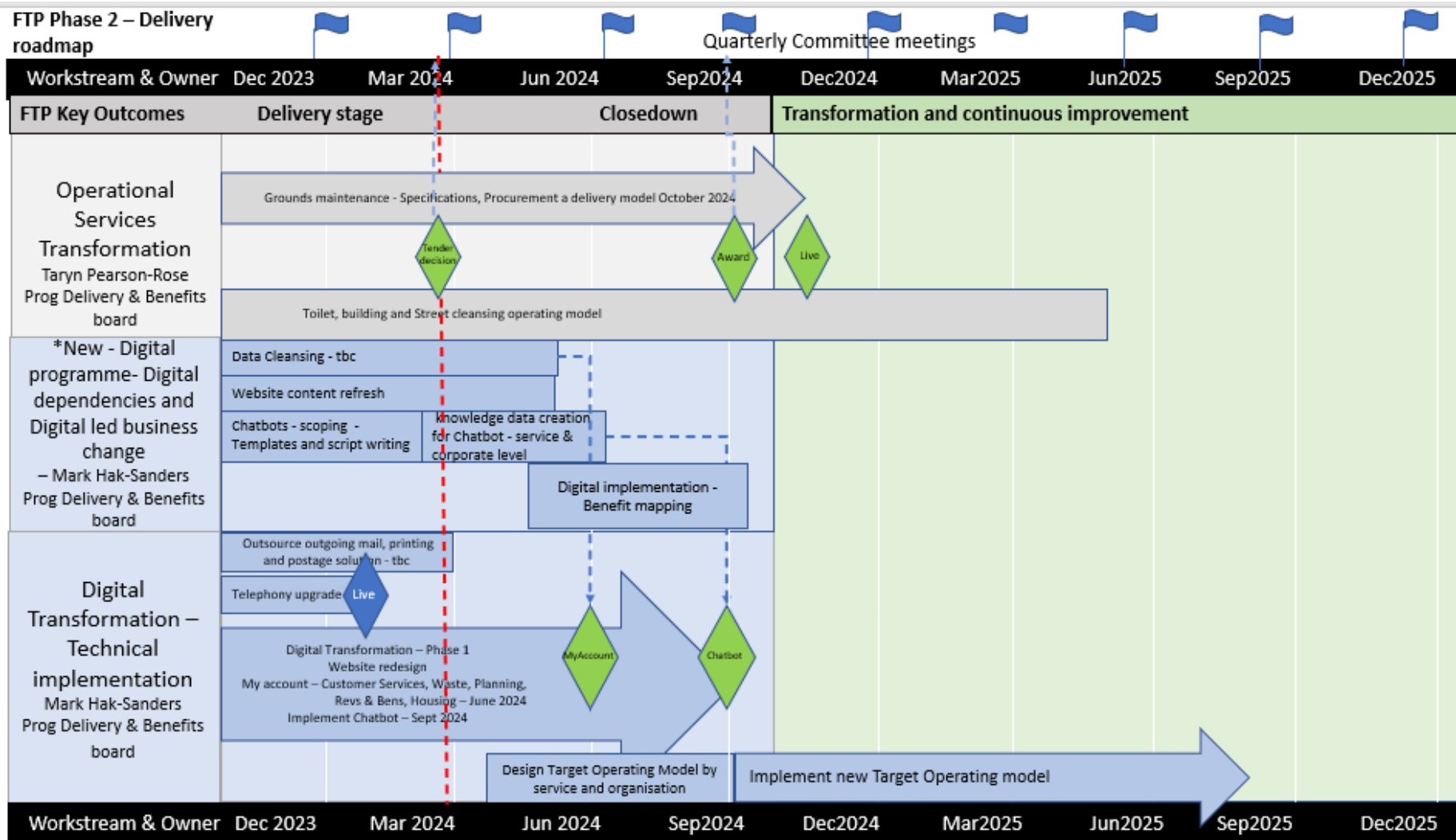
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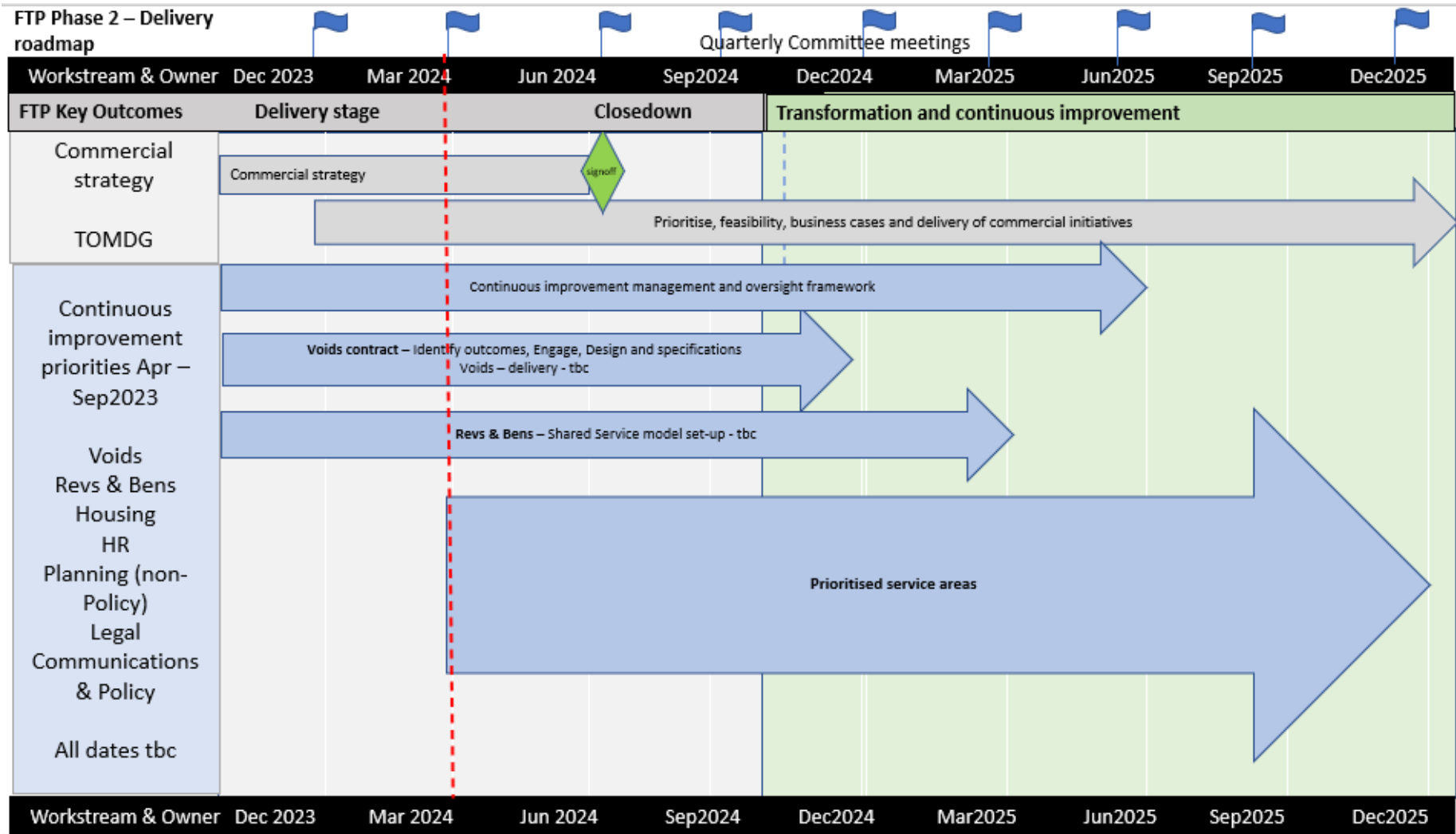
Appendix A - Future Tandridge Programme Roadmap



Appendix A – Future Tandridge Programme Roadmap



Appendix A – Future Tandridge Programme Roadmap



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Appendix B – FTP Risk Register - March 2024

Risk	Topic	Risk description	Original score	Mitigated approach	Actions taken	Mitigation Status	Mitigated score	Owner
1	Organisation Development	The Council will lose key staff that it would prefer to retain resulting in a further deficit of capability and capacity to deliver the Council's priorities.	12	<p>Consider ways of retaining key staff and formulate a plan to prevent/reduce the loss of these key members of staff during the transition, this relates to the Organisational Development/change management stream of work in the FTP.</p> <p>Establish fast track training plans for high staff turnover areas that are due to staff progressing to other departments i.e. Customer Services. Introduce more apprenticeships and professional career grades with associated training and development plans.</p> <p>Determining resource requirements to create a People Plan which will include an approach to retaining and recruiting the right people.</p>	<p>February 24 – The next phase of appraisals/objectives is in progress which will focus on developing SMART objectives for all staff that link to the corporate plan objectives and ensure we are acknowledging people for their contribution.</p> <p>Key staff identified and approach to be developed HR/EMT. Key officer forum set up and meeting regularly. EMT developing a plan to address potential loss of these key staff during the transition. KOF working with EMT on improvement projects.</p> <p>Review of staff turnover and exit interview reasons for leaving.</p> <p>January 2024 - Review of scope in progress. Considering shared role. Scoping for an external piece of work to take forward key elements of the work including Pay and Reward and Recruitment & Retention Review.</p>	In prog	9	David Ford - TOMDG

Risk	Topic	Risk description	Original score	Mitigated approach	Actions taken	Mitigation Status	Mitigated score	Owner
2	Stakeholder engagement	Members are not sufficiently engaged and/or will not support key issues which emerge from the FTP.	12	Engage Committee Chairs in service review emerging proposals.	Early engagement with Leader & S&R Chair / Vice Chair to seek feedback and answer questions in preparation for committee meetings.	Complete	8	David Ford-TOMDG
				Member engagement to be considered in each workstream activity in the FTP.	Prog Team to engage Committee Chairs in service review emerging proposals and consider Member engagement in each workstream activity in the FTP.	Complete		
				Based on the approach used in Tandridge Finance Transformation to member engagement, Identify representative group of members to be used for early engagement throughout the duration of the programme.	A Member reference Group has now been created consisting of a small group of members (agreed with the leader of the council). Since set up in October 2022, this group has attended focused briefings on specific areas of interest such as Digital/Customer services and Assets and FM and fortnightly meetings are set to continue. All member briefings will continue to be held on specific areas of interest and in advance of committee updates where required.	Complete (with engagement ongoing)		

Risk	Topic	Risk description	Original score	Mitigated approach	Actions taken	Mitigation Status	Mitigated score	Owner
10	Scope Management	Changes such as movement of functions across the Council, will be made without consultation with the TOM group which will impact on the planned changes. This would potentially weaken areas of service delivery internally or in the event of outsource opportunities.	16	Agree and publish scope - reinforce change review group and change log. Change requests to be raised for all additional pieces of work and changes that impact on agreed scope at committee.	Mitigated score reduced to 4 as FTP scope is now finalised and priorities will be designed into the next phase. Any proposed changes such as Team restructures are raised as change requests by Heads of Service and reviewed by the TOMDG.	In prog	4	David Ford EMT
14 Page 117	Savings 2023/24	Service Reviews will not deliver the budget savings identified in 2023/24	16	Create delivery plan for each service area, whether part of the service improvement workstream, or Digital/Customers, Operations transformation and ensure that all milestones that relate to savings are clearly identified.	Delivery managers recruited into the Digital/Customer Services and Operational Services workstreams. Delivery plans put in place to deliver the savings/benefits. Other service reviews will be monitored by the programme project manager and PMO.	Complete	9	Mark Hak-Sanders Prog Delivery & benefits board
				Monitor plans and milestones closely in weekly meetings and monthly highlight reports, where a risk is arising, this is escalated to the project/programme board to assess actions to mitigate.	Weekly 1-2-1 meetings with heads of service and/or delivery lead to ensure that the plan is in place and credible and is being followed and that any milestones at risk are addressed promptly to prevent slippage.	In prog		

Risk	Topic	Risk description	Original score	Mitigated approach	Actions taken	Mitigation Status	Mitigated score	Owner
				Set up programme delivery and benefits board review savings milestones and where amber/red agree mitigation and next steps and assign ownership.	Each service to create a plan, with key milestones, which is collated for the programme plan. Fortnightly EMT delivery meetings held where exceptions and risks are discussed with the objective of resolving blockers to achieve the savings.	In prog		
16 Page 118	Resources	Timelines will be missed if BAU issues require resolution and there is an assumption that programme resources will be used to fix the issues	15	Each service to set out savings delivery plan, including key milestones and dependencies, which will form the collated programme plan. Ensure resource requirements are clearly signposted where resources are required for 'change' work enabling them and their managers to plan ahead to accommodate the work. Where this is not possible, options are to replan the project work OR backfill roles where the 'change' is a priority. Where there are risks, such as Salesforce dependency, there are plans being developed to build up our internal knowledge base to reduce	Service review updates and milestones have been populated by Heads of Service/Stream leads. Planning meetings are being held with heads of service to ensure information is captured consistently to enable dependencies/ slippages to be trackable.	In prog	8	Mark Hak-Sanders Prog Delivery & benefits board

Risk	Topic	Risk description	Original score	Mitigated approach	Actions taken	Mitigation Status	Mitigated score	Owner
				the risk of stretching resources too thinly or losing valuable knowledge.				
				Individual plans to be baselined within the programme and used as drivers for savings delivery by the EMT / stream leads and Finance/Benefits Programme board. All risks to delivery identified by the plan owners are escalated to the Programme delivery board.	Individual plans are to be collated at programme level. Regular EMT delivery board meetings held where all savings at risk are raised and collectively resolved.	Complete		
				All plans will include resource requirements to ensure that where BAU/external resources are required, the demand is clear. Where resources are redirected at BAU, plans will need to be adjusted to show the revised schedule. If BAU resources are not sufficiently available, backfilling of roles will need to be considered to free up time.	Key external resources are identified and secured as early as possible, for example, expert advice on Operations workstream.	Complete		
19	People Plan	Organisation Development workstream will not progress as scoped	16	An OD / Change Mgr needs to be put in place to ensure new ways of working/behaviours, such	March 2024 Working group set up to agree scope and priorities and implement an action plan. Key areas	In prog	12	Mark Hak-Sanders

Risk	Topic	Risk description	Original score	Mitigated approach	Actions taken	Mitigation Status	Mitigated score	Owner
		and therefore Tandridge will not be ready for embedding the Transformed services and the new culture.		<p>as Digital/ commissioning/continuous improvement are embedded properly across the whole council. Without this, there is a risk that after the programme ends, behaviour will revert to 'old ways' and future benefits/ efficiencies will not be met.</p> <p>Recruit an OD expert to create a delivery plan to embed the changes needed in behaviour to adopt the changes being introduced across the council.</p> <p>Review objectives including behaviours, ensure behaviours rolled out to all staff as well as EMT. Instigate KOF level - accountabilities and responsibilities</p>	<p>are recruit and retain and implementation of appraisals linked to service plans. A pay and reward review is also being planned, with scoping currently in progress. Quotes will be sought from three potential partners before the work goes ahead.</p> <p>January 2024 Look to secure support for organisation development and change management. Plan the adoption of systems throughout the organisation.</p> <p>Looking at the future model for services and the Council – August 2023</p>			Prog & Benefits delivery board

20	Digital Transformation	Progress in the Digital/customer services workstream will be slow/unsuccessful which will have a detrimental effect on delivering the business case, providing responsive customer services, and planning and delivery of savings and benefits.	16	<p>Ensure there is an achievable plan - understand resource requirements up front, monitor progress.</p> <p>Detailed plan required, with regular progress reporting against plan, with key milestones flagged and RAG rated.</p> <p>Ensure scope pinned down in PID, any potential additions to scope need consideration via change control.</p>	<p>March 2024 - High level milestone plan walkthrough at Core Digital Programme board, this plan details the key activities for MyTandridge and chatbot implementations. Likelihood reduced from 4 to 3.</p> <p>January 2024 - Detailed planning in place. Roles and responsibilities drafted for service SMEs to clarify ownership of tasks. Additional Customer Services resources approved.</p> <p>November 2023 Review of wider Digital Transformation programme in progress to understand scope and resource requirements.</p> <p>July 2023 Dependencies have been identified, programming the planning and resourcing of these activities. Planning in progress - plan with key milestones required, Monthly highlight reporting and fortnightly project board will monitor progress, spend and risks.</p>	In prog	12	<p>Mark Hak-Sanders</p> <p>Prog & Benefits delivery board</p>
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21	Digital Transformation	There will be a delay in delivering Digital Transformation due to dependencies being out of scope of the project, such as data cleansing, chatbot knowledge data build	16	<p>Analysis on all dependencies to understand resources/timings etc, needed for Digital:</p> <p>Review and plan out any key dependencies not included in scope of Digital to ensure clarity on timeline from Digital lead.</p>	<p>Feb 2024 Score reduced from 12 to 8 due to sponsorship of plans and visibility of dependencies and overall plan in place.</p> <p>January 2024 - Digital programme set up with workstream leads identified, regular catch up and overall plan for review, risk monitoring. Mitigated score reduced from 16 to 12, due to likelihood changing from 4 to 3, due to programme workstreams being owned and managed by sponsor and workstream leads</p> <p>TOM review/discussion on in scope/out of scope for Digital held on 19th July, further discussion 8th August.</p> <p>Confirm priorities for Digital Transformation or TDC generally at that meeting.</p> <p>Knowledge scripts required for Chatbot - Customer Services scripts to be reviewed for this purpose.</p> <p>Business Analyst to progress the data cleansing project, to understand objective, scope and create a plan.</p>	In prog	8	<p>Mark Hak-Sanders</p> <p>Prog & Benefits delivery board</p>
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					Revised resources to be reviewed with Digital PM.			
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Risk	Topic	Risk description	Original score	Mitigated approach	Action taken	Mitigation Status	Mitigated score	Owner
24	Operations - Grounds Maintenance	There is a risk associated with timescales to deliver the Grounds Maintenance plan since the implementation date cannot be delayed. July 2024 has been agreed as a go/no-go decision point at which point costs should be clear and next steps will be agreed, however this does not leave much time for contingency/overruns and implementing of an alternative model if needed.	16	<p>Review whether any of the tasks can be run in parallel or shortened leading up to July.</p> <p>Ensure timelines provided by Operations, Legal and Procurement team are reviewed when developing the overall delivery plan.</p> <p>If costs are higher than expected, alternative approach on service specifications may need to be considered.</p>	<p>January 2024 - Detailed plan in place - to be agreed with all owners - i.e. procurement and legal suppliers and ensure all resources are aware of their responsibilities. Regular project board meetings to continue to be held to review progress, risks and issues. Likelihood reduced from 4 to 3.</p> <p>Monthly highlight report summarising progress, risks and actions to be owned and reviewed with sponsor and project board. Owners of activities in plan clearly defined and monitored. All slippage addressed. The plan has been reviewed and there are no tasks that can be run in parallel or delivered by other resources.</p>	In prog	12	<p>Simon Mander</p> <p>Prog & Benefits delivery board</p>

26	Operations - Grounds Maintenance	Operations grounds maintenance tender prices submitted may be above budget envelope	12	Revisit budget envelope and review service specifications. Post award, consider contract length and conditions. Look at funding of equipment as an option. Looking for flexibility i.e. specifications and cost in the contract.	Contingency planning at early stages and alternate options will be developed as a fallback if bids are significantly outside the approved budget envelope. Review all submitted bids - we are aware of how much each of the lots should cost for resources and equipment, therefore TDC will have an expectation of the costs of each bid.	In prog	12	Simon Mander Operations Project board

New Risks raised since last Committee paper

Risk	Topic	Risk description. There is a risk that.....	Original score	Mitigated approach	Actions taken	Mitigation Status	Mitigated score	Owner
27	Operations - Grounds Maintenance	Tenders are not received for all bids offered - if structure of lots means that suppliers do not bid across each work package.	12	Review lot structures for maximum efficiency and least risk. Review cost relating to specifications with Finance relating to savings in GM and impact on other areas. Multiple lots introduces more overheads such as higher number of suppliers and contracts and more time spent on day to day monitoring and management.	Review of lot structures is currently underway. if no sensible bids received, alternatives would be considered.	In prog	12	Simon Mander Operations Project board

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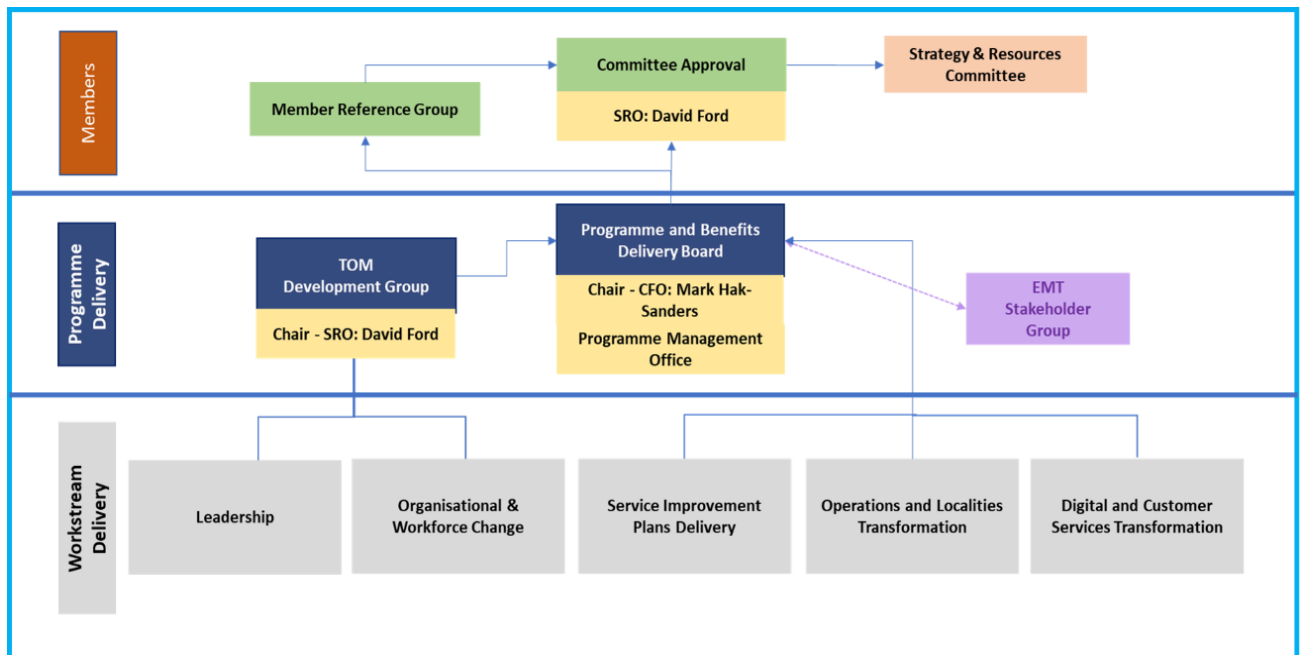
Risks closed raised since last Committee paper

Risk	Topic	Risk description. There is a risk that.....	Original score	Mitigated approach	Actions taken	Mitigation Status	Mitigated score	Owner
25	Resources	It will not be possible to recruit a Transformation director resource in the required timeframes. Without this role there is a risk that robust development, scrutiny and challenge of the next phase of organisational change over the	16	Advertise the role in the appropriate publications, such as the MJ (Management journal) for maximum exposure. Ensure that the role is advertised on	Job advertised in MJ and usual recruitment channels in early November, with three-week run for the advert.	March 2024 - Propose to close this risk in March risk review. January 2024 - Reduced likelihood	4	David Ford TOMDG

		medium-term will not be developed.		suitable publications such as the MJ and forums such as LinkedIn are cascaded to people's professional networks.		from 3 to 1 due to recruitment being well progressed. New risk raised in November 2023	
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Appendix C – Future Tandridge Programme Governance



1 Member level

Formal oversight of the FTP and decision making will continue to be through the Strategy & Resources Committee, with individual committees making decisions for the services within their remit.

Alongside the formal Committee process, oversight of progress will be through the Member Reference Group. This includes the Leader and Deputy Leader of the Council, the Chair of Strategy and Resources Committee and representatives from each of the political groupings.

Wider Member engagement will continue to be undertaken on specific topics with regular progress updates provided to all Members.

2 Programme Level

At programme level, delivery of the FTP and the associated savings and benefits will be through the Programme Benefits and Delivery Board, currently chaired by the Director of Resources and supported by the Programme Management Officer. This Board has overall accountability for delivery of the programme. The recent Management Restructure placed responsibility for Transformation directly under the Chief Executive alongside the recruitment of a Transformation Programme Director. Governance arrangements are currently being reviewed to reflect this change.

A key principle of the FTP is to ensure that the management team and Heads of Service (HOS) lead and own the delivery of changes in their service and the associated savings. HOS are directly responsible individually for:

- development of the business case for their service
- Identification of savings and other linked benefits
- development of the delivery plan for their service
- Identification of key risks and issues and their mitigation

In support of the Programme Delivery Board, HOS are collectively accountable (as the EMT) for overall progress, holding each other to account for delivery of the programme, communicating key messages and ensuring effective engagement with Council staff.

The Target Operating Model Development Group (TOMDG) oversees the development of the Leadership and Organisation Change workstreams and the change control process for the FTP. Once changes are formally approved, these will come under the remit of the PDB to ensure their delivery.

3 Workstream / Project Level

There are 5 key workstreams which support the delivery of the overall programme objectives. Due to their significance and complexity, this will include dedicated Project Boards to oversee delivery of:

- Digital and Customer Services Transformation
- Operations and Localities Transformation

Delivery of the other workstreams will be managed through the Programme Management Office with project management and other support provided where this is required to ensure delivery. Support to the Service Improvement Plans workstream will be provided on an agile basis with programme resources prioritised according to need / risk. This will be subject to ongoing review through the Programme and Benefits Delivery Board.

Appendix D – Savings delivery – April 2024

Details below of Service Review savings summarised in the table above, rated unachievable this financial year

FTP - SAVINGS SHEET AND TIMINGS - S&R DECEMBER 2022 - last updated 7th February 2024						
Committee	Service Area	Staffing change (Y/N)	Internal - detailed Summary of saving	Saving RAG Rating	Total Target saving (23/4/5)	2023/24 realisable saving ('000)
S&R	Management restructure	Y	Changes in management structure, to reflect target operating model (to be delivered element)	Unachievable	£85,000	£85,000
S&R	IT	Y	Revs and Bens function may move to RBBC - 1 role at risk	Unachievable	£35,000	£35,000
Community Svcs	Regulatory services	N	Productivity Improvements	Unachievable	£16,000	£16,000
Community Svcs	Regulatory services	N	Standardisation of approach will save updating two websites and will bring better clarity and reporting of overall budget. Digital Improvements	Unachievable	£15,000	£10,000
Planning policy	Building control	N	External review into operating model and opportunities to drive value for all partners from SBCP	Unachievable	£0	£0
Community Svcs	Regulatory services	N	Risk based approach to inspections	Unachievable	£0	£0

Appendix E – Audit & Scrutiny committee
 Future Tandridge Programme
 Programme Highlight report – March 2024

Future Tandridge Programme			Report date: 29th February 2024
SRO	David Ford	Delivery lead	Mark Hak-Sanders
Lifecycle Stage	Delivery	Previous month status:	AMBER
		Current month status:	AMBER

Headlines Operations Grounds Maintenance work in progress to develop site data and detailed specifications and delivery plan drafted. Telephony implemented into live system on 14th February. Commercial strategy work progressing. Continuous improvement approach work in progress to create intelligent client model and develop tools and techniques to embed across the council with key officer reviews.

Achievements for February 2024

Operations Transformation workstream – Grounds Maintenance - data collation and specifications in progress. Plan agreed with stakeholders, including legal and Procurement partners.

Digital/Customer services Transformation - Telephony upgrade was implemented successfully on 14th February.

Voids – Project Initiation document approved. Working on finalising specifications, soft market testing approach commenced.

Savings 2023/24 – Work has continued to deliver savings across services as agreed in previous committee reports.

Savings planning 2024/25 – Approved at full council in February.

Future Operating model - Piloting continuous improvement approach on Grounds maintenance and Voids to embed across the council.

People Plan – Working group setup to agree scope for People Plan workstream and to provide oversight of related people plan activities in progress. Draft plan being developed. Focus on appraisals, recruitment and retaining staff.

Commercial activities - Commercial strategy being drafted.

Member engagement: Audit and scrutiny committee meeting 6th February. Full Council on 8th February.

MRG updates: MRG update on corporate plan and grounds maintenance.

Focus for March 2024

Operations Transformation – Recommendation to March committee on lot structure and tender approach. Work continuing on specifications and data. Supplier questionnaires to be sent out.

Digital/Customer Services Transformation – Engagement strategy drafting to start. System testing of MyTandridge account in progress. Digital programme considering key milestones in the plan and ensuring dates are clear with all affected parties.

Voids – Finalise plan including procurement and Legal activities, with key milestones identified.

Savings 2023/24 Continuing delivery of savings as part of the £1.7m target.

Savings planning 2024/25 - Continuation of detailed planning for delivery of savings.

Future operating model - Continuous improvement cycle documentation work continuing. Transformation planning in progress.

People Plan – complete scoping activities and agree plan with EMT.

Commercial activities - Commercial strategy work progressing for MRG and committee update in June. Work in progress on commercial initiatives.

Member engagement - MRG updates on Digital engagement and communications plan.

Community Services and Housing committees – updates on Ground maintenance procurement and Voids project.

Strategy & Resources – FTP update

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Appendix F – Glossary of Terms

Term	Definition
KLOE	Key line of enquiry – areas to be explored as part of the Service Reviews
Saving	Known budgeted expenditure reductions and income increases which result due to the following: <ul style="list-style-type: none">• Containing additional costs of Inflationary increases in contracts or pay;• Driving forward efficiencies in the provision of existing services i.e., providing services in an improved way to deliver better value for money;• The delivery of new or additional services; and/or• Optimising sources of income.
TOMDG	Target Operating Model Development group – a governance group within the Future Tandridge Programme. This group sets the direction for the service reviews and agrees the principles that will drive the organisational change.

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Quarter 3 Performance Exceptions

Audit & Scrutiny Committee - Thursday 11 April 2024

Report of: Head of Policy & Communications

Purpose: For information

Publication status: Open

Wards affected: All

Executive summary:

This is an exception report about the Council's four policy committees' performance and risk management. The aim is to support the Audit & Scrutiny Committee to monitor the Council's performance and delivery of services.

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

Contact officer Giuseppina Valenza Head of Policy & Communications
gvalenza@tandridge.gov.uk

Recommendation to committee:

To review and note the policy committees' performance exceptions for Quarter 3 2023-2024 and the committee and corporate risks.

Reason for recommendation:

To help the committee monitor performance and risk.

Introduction and background

1. Part of the committee's role is to review and scrutinise the decisions and performance of the Council.
2. The committee receives a performance and risk exception update for each policy committee: Community Services, Planning Policy, Housing and Strategy and Resources.
3. The following performance information has been included on the basis the indicator targets have not been met.

Community Services

4. The most recent Key Performance Indicators report can be found on the [Community Services Committee](#) agenda.
5. The performance indicator for the percentage of roads, footpaths and public open spaces which the Council is responsible for maintaining and which meet the environment cleanliness standard, is off target by 5% at 90%. The target is 95%. The Council is continuing to review the level of resources appropriate for the service.

Planning Policy

6. The most recent Key Performance Indicators report can be found on the [Planning Policy Committee](#) agenda.
7. There were no exceptions in the most recent report, with all targets for nationally set planning indicators met.

Housing

8. The most recent Key Performance Indicators can be found on the [Housing Committee](#) agenda.
9. HO2b: The average time taken to re-let local authority sheltered housing was 33.5 days against a target of 30 days. While slightly over target by 3.5 days, it is a significant reduction of 33.7 days when compared to the same period in 2022/2023 when the average re-let time was 67.2 days.
10. HO4: The number of households living in temporary accommodation is currently 62, so off target by 32 households. The target is 30 households. The increase in the number of households in temporary accommodation reflects the current difficulties being experienced in successfully preventing or relieving homelessness and the lack of affordable housing.
11. HO5: The number of households in urgent need (bands A&B) on the Housing Register is currently 475, which is off target by 200 households. The target is 275.

Strategy and Resources

12. The most recent Key Performance Indicators report can be found on the [Strategy & Resources Committee](#) agenda.
13. Three KPIs did not meet their target for the quarter, SR4, SR5 and SR10.
14. SR4: Days taken to process housing benefit/council tax change events was off target at 15.33 days. The target is 12 days. The target has not been met in this quarter due to an issue in the NEC system, which has now been fixed. As a result, there were a higher number of more complex cases to resolve. The service is currently on target for the current quarter.
15. SR5: The number of working days/shifts lost due to sickness absence (long and short-term) was just off target by 0.83 days at 7.93 days. This figure continues to reduce each quarter, for the same quarter last year sickness absence was 11.36 days. The target is 7.1 days.
16. SR10: The percentage of calls answered within 60 seconds by Customer Services was off target by 16.40% at 63.60%. The target is 80%. This was an improvement on the previous quarter.

Risk headlines

17. The policy committees and [Corporate Risk Register](#) have details of actions taken and being taken to mitigate against risk. Details of current red risks are provided below.

[Planning Policy Committee Risk Register](#)

- P1: Lack of up-to-date adopted district wide local plan makes resisting inappropriate green belt applications more challenging.
- P2: Lack of five year housing land supply, including gypsy and traveller land.
- P3: Lack of capacity in planning team, difficulty in recruiting permanent staff and issues with IT systems negatively impacts performance.

[Housing Committee Risk Register](#)

- H1: Council fails to deliver the target number of properties in the Council House Building Programme, due to poor performance of the contractor, planning delays, unplanned costs, availability of materials and utility providers.

[Community Services Committee Risk Register](#)

- CS2: Loss of Goods Vehicle Operating Licence at the depot (due to lack of resilience)

- CS3: Delays in monitoring council owned trees and impact of Ash dieback creates greater risk of tree falls.

[Strategy and Resources Risk Register](#)

- There are no red risks.

18. A new [Risk Management Strategy](#) was approved by the Strategy and Resources Committee in January. The risk registers will be updated for the next committee cycle to reflect the agreed changes.

Key implications

Comments of the Chief Finance Officer

There are no direct financial implications arising from this report. The risks identified in the corporate risk registers reported to individual policy committees and their mitigating actions may lead to additional resources and cost implications for the Council if they materialise. Once identified, the financial impact of any additional cost pressures to reduce risk and / or improve performance will be shown in the monthly budget monitoring reports.

Budget monitoring reports will also identify and quantify where possible financial risks to delivering the budget, along with mitigating actions. Ensuring the Council has adequate reserves and contingencies to respond to these risks is a key element of the Medium-Term Financial Strategy.

Comments of the Head of Legal Services

There is no statutory duty to report regularly to councillors on the Council's performance, but as a best value authority under the Local Government Act 1999, the Council 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 reporting of performance can assist the Council to demonstrate best value.

Equality

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

Climate change

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

Appendices

None

Background papers

None

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