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TUESDAY, 10 APRIL 2018

To the Members of the OVERVIEW AND SCRUTINY COMMITTEE

Councillors	B. A. Stead (Chairman)	J. C. S. Essex
	R. Absalom	N. D. Harrison
	R. H. Ashford	R. S. Mantle
	M. S. Blacker	S. Parnall
	M. A. Brunt	D. T. Powell
	R. W. Coad	D. A. Ross-Tomlin
	G. R. Curry	J. M. Stephenson

Substitutes

Conservatives: D. Allcard, L. S. Ascough, J. E. Durrant, J. M. Ellacott,
Z. Grant-Duff and J. P. King

Residents Group:

Green Party: S. McKenna

A G E N D A

For a meeting of the **OVERVIEW AND SCRUTINY COMMITTEE** to be held on **THURSDAY, 19 APRIL 2018** at **7.30 pm** in the New Council Chamber, Town Hall.

John Jory
Chief Executive

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1. MINUTES

(Pages 5 - 12)

To confirm as a correct record the Minutes of the previous meeting.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any apologies for absence and notification of any substitute Members in accordance with the Constitution.

3. DECLARATIONS OF INTEREST

To receive any Declarations of Interest (including the existence and nature of any Party Whip).

4. PORTFOLIO HOLDER BRIEFING

To receive a briefing from Councillor Mrs R. Mill on the Leisure & Wellbeing and Health Portfolios, and to consider any issues that arise.

To consider any Advance Questions submitted.

5. INTERNAL AUDIT PLAN 2018/19

(Pages 13 - 42)

To consider the Internal Audit Strategy and Audit Plan for the period 2018/19.

To consider any Advance Questions submitted.

6. OVERVIEW AND SCRUTINY COMMITTEE: ANNUAL REPORT 2017/18

(Pages 43 - 52)

To consider the draft Annual Report of the Committee's work for the year 2017/18 for recommendation to the Council.

To consider any Advance Questions submitted.

7. EXECUTIVE

To consider any items arising from the Executive which might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules set out in the Constitution.

8. ANY OTHER URGENT BUSINESS

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency - Local Government Act 1972, Section 100B(4)(b).

(NOTE: Under the Committee and Sub-Committee Procedure Rules set out in the Constitution, items of urgent business must be submitted in writing but may be supplemented by an oral report.)

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BOROUGH OF REIGATE AND BANSTEAD
OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at the Town Hall, Reigate on Thursday, 15 March 2018 at 7.30 p.m.

Present: Councillors Mr B. Stead (Chairman), Mrs R. Absalom, Mr R. Ashford, Mr M. Blacker, Mr M. Brunt, Mr R. Coad, Mr G. Curry, Mr J. Essex, Mr N. Harrison, Mr R. Mantle, Mr S. Parnall, Mr D. Powell, Mrs D. Ross-Tomlin, Mr J. Stephenson and Mrs R. Turner.

Also present: Councillors Mrs J. Bray, Mr J. Ellacott*, Mr K. Foreman, Dr. L. Hack, Mr J. King*, Mr G. Knight, Mrs R. Mill, and Mr S. Walsh.

** Part Meeting Only*

54. MINUTES

RESOLVED that the Minutes of the meeting held on 15 February 2018 be approved as a correct record.

55. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: None

Others: None

56. DECLARATIONS OF INTEREST

No declarations of interest were made.

57. QUARTERLY PERFORMANCE REPORT (Q3 OCTOBER – DECEMBER 2017)

The Committee received a report that detailed the major variances on performance in relation to the Council's Key Performance Indicators, Revenue Budget Monitoring, Capital Budget Monitoring and Internal Audit, and provided updates to Key Performance Indicators and Strategic Risks for 2018/19.

There were two advance questions received in relation to this item, responses to which had been circulated to the members of the committee and were tabled at the meeting.

The Committee considered and discussed the report and the advance questions received. There were a number of questions and comments on the report and advance questions, relating to the following topics:

- **The reporting of loans to trading companies.** It was clarified that information on the balances of loans to trading companies established by the Council would be included in future quarterly performance reports.
- **Other payments between the Council and trading companies.** Clarification was requested regarding previous and outstanding payments to trading companies established by the Council. It was confirmed that previous payments were included in the loan balances where applicable, and that there were a number of outstanding trading items between the Council and trading companies, but no additional loans.
- **The reduction in income from land charges.** The committee was advised that the reduction in land charges was considered to be as a result of the introduction of private competition, following changes in legislation. It was confirmed that the Council sought to provide a competitive land charges service.
- **The recovery of costs for the Merstham regeneration project from Surrey County Council.** It was confirmed that the full identified overspend was expected to be recovered from Surrey County Council.
- **Risk around increased demand for housing, homelessness and welfare activities.** It was identified that there had been an increase in demand in a number of areas relating to the implementation of welfare reforms. It was confirmed that this had led to an increase in costs for the Council, and that the council had received an additional grant from central government, and that both had been accounted for in the budget.
- **Uncertainty around future access to the Public Works Loan Board.** A query was raised regarding if a future loss of access to funding from the Public Works Loan Board would be an obstacle to the Council's activities. The Committee was advised that the Council continued to have access at present, and that there were competitive alternatives available to the Council if they became required.
- **The review process for revising KPIs.** The Committee was advised that KPIs were reviewed by relevant service managers, and then considered by the management team. It was identified that there were also a range of other operational indicators, but that the KPIs were subject to additional monitoring due to the potential adverse consequences of underperformance in the associated areas.
- **Data Protection and General Data Protection Regulations (GDPR).** It was confirmed that the Council has employed a data protection expert to support its compliance activities, and that it was satisfied that it was sufficiently compliant with the requirements of the new data protection regulations. It was noted that this was an important area of responsibility for the Council. The Chairman suggested that a report on the actions being implemented to support the new requirements would be of interest to Members.
- **Cyber security.** A query was raised regarding the Council's plans in the event of exposure of its systems to ransomware or other malign material.

The committee was advised that the Council had strong security procedures in place and maintained secure backups and that additional details could be provided following the meeting, if requested.

RESOLVED:

- i) That the quarterly performance report, revised Key Performance Indicators and identified Strategic Risks for 2018/19 be noted.
- ii) That the comments of the Overview and Scrutiny Committee be noted.
- iii) No additional observations be made to the Executive.

58. EXECUTIVE

It was reported that there were no items arising from the Executive that might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules.

59. ANY OTHER URGENT BUSINESS

There was no other urgent business.

60. EXEMPT BUSINESS

RESOLVED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and
- (ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

61. PATHWAY FOR CARE – NEXT STEPS

The Committee considered proposals including exempt information regarding the next steps for the Pathway for Care company. The Chairman invited Cllr Mrs R. Mill, Executive Member for Leisure and Wellbeing, to introduce the report.

Councillor Mill introduced the report and noted that the Executive would be considering the recommendations for the next steps for the Pathway for Care company at the 29 March meeting of the Executive. The committee was advised that, due to the urgency requirements around the decision, and the consideration of the matter by the Committee at the evening's meeting, the Call-In procedure was disapplied for the decision. The Committee's attention was drawn to the importance of supporting those vulnerable persons who depended upon services provided by Pathway for Care.

Councillor Mill noted that the Executive would welcome the observations and insight of the Overview and Scrutiny Committee in its role as a critical friend, and thanked Members for their efforts in considering the report.

There were nineteen questions received in advance of the meeting in relation to the item, responses to which were tabled at the meeting.

There were a number of questions and comments on the report and the questions received, relating to the following topics:

- **Independent valuation of the company.** The committee was advised that an independent valuation of the company had last been undertaken in 2016, but that a new valuation was considered to provide little benefit, as the company's current situation meant that it was not positioned to conduct a wider search of the market for alternative investors. It was confirmed that the Council had obtained external legal advice identifying the requirements for assuring that the transactions provided value for money.
- **Potential conflicts of interest.** A query was raised regarding potential conflicts of interest for the Leader and Chief Executive of the Council regarding their connections to the company and the Council. It was identified that one of the potential investors was known to the Leader of the Council in a personal capacity and that the monitoring officer had been advised of this. It was identified that any interest resulting from this was non-pecuniary and that the Leader had not participated in any negotiations between the investor, Pathway for Care, and the Council. It was identified that point 32 of the draft report to the Executive should be corrected to refer to consultation with the Deputy Leader rather than the Leader, and that the report would similarly be amended to identify that the Deputy Leader be mandated to act as the Council's shareholder representative, rather than the Leader.

The committee was advised that the Chief Executive of the Council was a director of Pathway for Care, as nominated by the Council in its role as shareholder, and that he had therefore been advised by the monitoring officer not to be present at the meeting to avoid any potential conflicts of interest in providing advice. It was noted that the Council had arrived at its position regarding the investment proposals independently to the company and its directors. A number of Members expressed concern that a senior officer may face conflicts such as this and suggested that this be considered when appointing Directors to any companies in future.

- **Company losses versus business projections.** The Committee was advised that the additional losses reported by the company were primarily due to the differences in timing of income from the company's supported living property, and costs incurred in pursuit of a significant deal which did not materialise. It was confirmed that the figures provided in the report were an accurate representation of the financial context.
- **The company's current financial situation.** A query was raised regarding the company's current finances and balance sheet. It was identified that the company's management accounts up to 31 January were available, and that it was expected that the updated financial position would be available to inform the decision of the Executive. This information was identified to include reference to projected future company revenues. It was noted that this information would form part of the due diligence process conducted by

the potential investors. It was confirmed that the company was not considered to be trading insolvently.

- **Information regarding the previously pursued significant deal.** The committee was advised that the deal previously pursued by Pathway had sought to secure a sizable contract to provide services, which would have secured significant income for the company. The committee was advised that agreement had been reached on a number of aspects of the deal, and that the initial financial prospects had appeared positive, but that at the end of November 2017 the offer made by the potential commissioner was not acceptable, as it would have represented significant financial detriment to the company. Members were advised that the date for this would require confirmation (*it was subsequently confirmed that this had been noted by the board of Pathway for Care on 11 December 2017*). It was identified that, following this outcome, the directors of the company had considered the options available and had then decided in January 2018 to seek alternative investors. It was identified that the costs of pursuing the deal had largely originated from staff costs and the loss of income from other sources which might otherwise have been secured.
- **The assets of the Pathway for Care company.** Members were advised that the company had a low level of material assets, and that there was therefore minimal prospect of the Council obtaining a return on its loan in the event that additional investment into the company was not secured. It was identified, however, that the company possessed a number of intangible assets, in the form of its existing relationships and market position, which were of potentially significant value to investors.
- **The potential provision of an additional £15,000 loan to Pathway Digital.** It was identified that whilst Member opinion was understood to oppose providing significant further investment into the company, the figure identified was recommended to be made available as a contingency to allow for the event that arrangements with the potential investors were not finalised simultaneously. Members were advised that it was judged that allowing for this contingency would best support the interests of the Council in obtaining a return on its existing investment and avoid a disruption of services to individuals depending upon the company's services.
- **Conclusion of negotiations with the potential investors.** Members were advised that negotiations regarding the details of the proposed arrangements were ongoing, with support from external legal counsel. It was identified that there were a number of points remaining to be agreed, but that both potential investors were understood to be interested in and positioned to progress swiftly.
- **Council directors on the restructured companies.** It was confirmed that any directors of the companies appointed by the Council would not receive additional remuneration for their roles as a director. The Committee was advised that the Council would continue to appoint a director to the Pathway for Care company, and that negotiations regarding director arrangements for the digital monitoring company were ongoing.
- **The proposed redeemable preference shares in Pathway for Care.** Members were advised that the preference shares were expected to have a value of £1,100,000, in line with the debt to the Council they would be

exchanged for. The preference shares were identified to be redeemable on the fifth anniversary of the completion of any deal. Additional details of the shares regarding any additional redemption options and similar matters were confirmed to be being considered as part of the ongoing negotiations. It was raised that preference shares were considered to be a lower priority charge on the company in the case of insolvency, but that both were vulnerable in such circumstances, and that it was judged that the preference shares presented a much improved prospect of return to the Council than the existing loan did were the company not to receive additional investment. It was noted the Council would also retain class B shares in the Pathway for Care company, and that the shares were expected to provide a dividend.

- **Safeguarding the Council's interest in the companies.** A query was raised regarding what actions the Council was taking to safeguard its interest in the companies, and ensure that actions were not taken which would provide value to the companies or investors at the expense of the Council. The Committee was advised that the Council was considering safeguarding provisions as part of the negotiations, and that details of agreed safeguards would be available to the Executive.

The Committee was advised that whilst no investments were risk free, it was believed that the companies and investors were incentivised to behave in a fair manner towards the Council due to their business models benefiting from good relationships with local authorities, and had considerable experience and expertise in the relevant fields of business. It was identified that the restructured Pathway for Care company was expected to have a more significant asset base than at present, which would improve the security of the Council's investment, although it was noted that any assets might also be subject to charges from any lenders.

A query was raised regarding if the potential investment in the digital monitoring company might take the form of a loan. The Committee was advised that this was being considered as part of the ongoing negotiations, and that all available details would be confirmed for the Executive.

- **Accounting treatment and implications.** It was confirmed that the accounting treatment of all matters relating to the proposals would be conducted in line with requirements, and that this would follow the actions judged to best support the interests of the Council and its residents. It was confirmed that the Council's accounts would be subject to the usual External Audit process, and that it was expected that actions relating to the proposals would be noted as post balance sheet event for the 2017/18 accounts. It was not expected that the proposals would have a direct impact upon the revenue budget or services to residents. It was confirmed that tax advice had been obtained regarding the proposals. It was suggested that the accounting treatment be confirmed where possible for the Executive's consideration of the proposals.
- **Persons benefiting from the company's services.** Members were advised that there were a number of individuals either currently benefitting from, or scheduled to benefit from, the services provided by Pathway for Care. The Committee was advised that there was a greater number receiving some benefit, and a small number with much greater dependency upon the services.

- **Previous information provided to the Committee.** Members expressed some concern that previous updates to the Committee had presented an optimistic outlook for the company which had ultimately not been reflected in outcomes to date.
- **The Council's liabilities.** It was confirmed that the Council's shares in the proposed companies would not generate any additional liabilities. Members were advised that the proposals were not expected to present any significant increase in liability relative to the current position. There was potential for additional costs resulting from legal costs to complete the deals, but these were not considered to be significant relative to the other relevant factors. It was identified that there was the potential requirement to the Council to agree warranties and indemnities as part of the proposed arrangements, but that these were considered to present a low risk due to the short trading history of the company and due diligence work conducted to date. The Committee was advised that any risk would be balanced against the improved prospect for return of the Council's current investment and the latest available information provided for the Executive. It was identified that there were some potential additional liabilities to the Council in the event that no additional investment were secured or if the company were to cease trading.
- **The provision of the Committee's comments to the Executive.** Members of the Committee were keen to ensure that their observations were made available to the Executive to support the consideration of the item. It was confirmed that the observations would be made available, either accompanying the report or as an additional resource.

Following the consideration of these points, the Chairman asked if the Committee was able to make an overall observation on the proposed recommendations, but the Members of the Committee indicated that they did not consider the Committee to have sufficient information to definitively support a particular option prior to the confirmation of some of the outstanding details. Members did however indicate that the Council providing significant additional funding to Pathway for Care, or not pursuing a return on the Council's investment were not considered to be good options. It was therefore suggested that the proposed recommendations appeared to present the best of the available alternatives, but that this was subject to the confirmation of additional details.

A number of Members indicated that they believed that they had previously expressed concerns regarding the Council's involvement in Pathway for Care and were dissatisfied with the outcomes obtained.

A number of proposed motions were circulated to the Committee by the Vice Chairman. It was considered that the points raised in this document had largely been addressed in the discussion, with the exception of a suggestion that it was important that attention be paid to the lessons the Council could learn from its experiences with Pathway for Care. The Members of the Committee were therefore supportive of the principle that the Council act and consult with Members to consider the lessons learned from its experience with the company. Members highlighted the importance of information provision to all Members to support effective scrutiny and securing the mandate of the Council.

The Executive Member for Leisure and Wellbeing thanked the Committee for their observations and efforts, and thanked the supporting officers, and particularly the Head of Finance, for answering the Committee's questions. The Executive Member noted that the Executive would consider the observations of the Committee, including those summarised below and otherwise identified in these minutes:

- That the report should be updated to confirm that the negotiations were conducted in consultation with the Deputy Leader, rather than the Leader, and that the Deputy Leader, rather than the Leader, would be mandated to act as the shareholder representative for the actions identified.
- That the Executive should have the most up to date financial and general information available on the company and the proposals available to them to support their consideration.
- That the Executive should take account of, and have information on, the steps being taken to safeguard the Council's investment.
- That the Executive should take account of any liabilities incurred by the Council.
- That all associated actions by the Council should be fully and appropriately recorded as part of the accounting process.

RESOLVED that:

- (i) the Executive be thanked for inviting the Committee's pre-scrutiny of the Pathway for Care Next Steps draft report and for the Executive Member for Leisure and Well Being facilitating the Committee's review of that paper; and
- (ii) the Committee's observations be provided to the Executive for its consideration at its meeting on 29 March 2018 together with any further updates required to respond to the Committee's comments.

The meeting closed at 10.04 p.m.



REPORT OF:	Head of Corporate Policy and Performance
AUTHOR:	Gavin Handford
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TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	19 April 2018

WARD (S) AFFECTED:	ALL
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SUBJECT:	INTERNAL AUDIT STRATEGY 2018 - 2021 AND INTERNAL AUDIT PLAN 2018/19
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RECOMMENDATION:	(i) to endorse the Internal Audit Strategy and Internal Audit Plan as set out in Annex 1.
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SUMMARY:	<p>Under the Council's Constitution the Overview and Scrutiny Committee fulfils the role of the Audit Committee. As part of that accountability the Committee are responsible for setting and monitoring the Internal Audit Strategy and the annual Internal Audit Plan.</p> <p>In reviewing the Strategy and the Plan the Committee is asked to consider a number of key questions (highlighted in paragraph 6) in relation to the nature and scope of the proposed audits.</p>
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STATUTORY POWERS

- Under the *Local Government Act 1972* and the *Accounts and Audit Regulations 2011*, the Council is required to maintain an independent internal audit function which ensures that the Council operates within the law and has effective control procedures in place to make certain that public money is spent effectively and efficiently.

ISSUES

- The Internal Audit function is a key element in the management and delivery of effective corporate governance.
- Under the code of practice that governs how Local Authorities should undertake their Internal Audit function, it is recommended best practice that an Internal Audit Strategy and an Internal Audit Plan are established, which set out a programme of audits that will ensure that all areas of key risks are reviewed on a regular basis.
- The Council's Constitution delegates consideration of this Strategy and Plan to the Overview and Scrutiny Committee.

5. The purpose of this report is therefore to seek the Committee's endorsement of an updated Internal Audit Strategy, and more specifically, the detailed Audit Plan for the 2018/19 contained within it.
6. As stated in the Strategy (section 4), the Committee is asked to consider the following questions:
 - Is the work within the Audit Plan (as set out in Appendix A) sufficient to monitor the organisation's risk profile effectively?
 - Does the strategy for internal audit (as set out in Appendix B) cover the organisation's key risks as they are recognised by the Committee?
 - Are the areas selected for coverage this coming year appropriate?
 - Is the Committee content that the standards within the charter in Appendix C are appropriate to monitor the performance of internal audit?

OPTIONS

7. The Committee has two options open to it:
 - Option 1: endorse the Internal Audit Strategy and Internal Audit Plan as set out.
 - Option 2: defer the approval and ask for further work to be carried out. This will cause delay and could impact on the ability of RSM to deliver the 2018/19 programme.

LEGAL IMPLICATIONS

8. There are no direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

9. The cost of funding the Audit Plan is allowed for within the Council's base budget.
10. The cost of any additional work, beyond that provided for within the Audit Plan, has to be funded from any service area that requires extra support from the auditors.

EQUALITIES IMPLICATIONS

11. There are no equality issues arising from this report.

COMMUNICATION IMPLICATIONS

12. There are no communications issues arising from this report.

RISK MANAGEMENT CONSIDERATIONS

13. Effective Internal Audit is an important part of risk management.

CONSULTATION

14. As part of the consultation process the draft Strategy has been discussed with – and endorsed by - the Corporate Governance Group, Business Managers Group and the Management Team.

POLICY FRAMEWORK

15. There are no policy issues to raise as part of this report.

Background Papers: none



REIGATE AND BANSTEAD BOROUGH COUNCIL

Internal Audit Strategy 2018-2021

Presented at the Overview and Scrutiny
Committee meeting of:

19 April 2018



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To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.



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1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Reigate and Banstead Borough Council in the year ahead, including changes within the sector.



Reigate and Banstead Borough Council is the largest borough in Surrey, with c139,000 people living there



Our vision is brought to life through our five year plan (our Corporate Plan 2015-2020) which outlines the priority areas for our work, grouped around these three themes:

- People - supporting residents to enjoy healthy and happy lifestyles
- Place - a great place to live and work
- Organisation - a great Council.



Going forward our vision is for a leading Council recognised by our residents, peers and partners.

We will:

- Deliver quality services and support*
- Provide value for money*
- Make the borough a great place to live*
- Be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses*
- Be an increasingly commercial organisation*

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the following people:

- Project and Performance Officer
- Project and Business Assurance Manager

Based on our understanding of the organisation, the information provided to us by the stakeholders above, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high level strategic plan (see appendix A and B for full details).

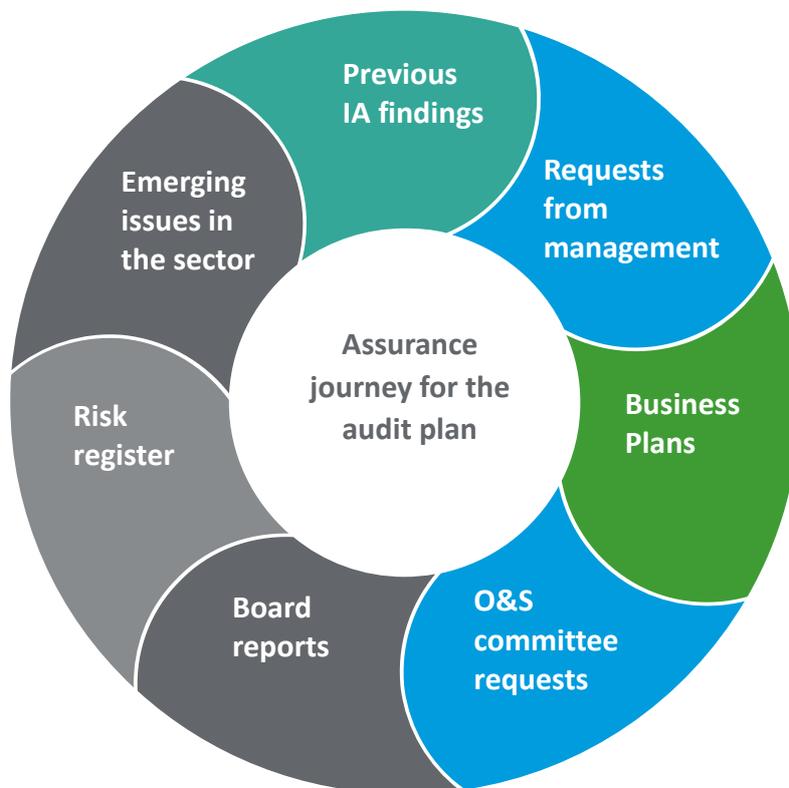


Figure A: Sources considered when developing the internal audit strategy

Each of the reviews that we propose to undertake is detailed in the internal audit plan and strategy within appendices A and B. In the table below we bring to your attention particular key audit areas and discuss the rationale for their inclusion or exclusion within the strategy. Whilst the table below has been produced with reference to the 2017/18 risk register, we note that this will be updated for 2018/19 and we will therefore keep our internal audit plan under review and amend the reviews if needed to reflect any changes to the risk profile of the Council.

Strategic risk No	Strategic risk	Reason for inclusion or exclusion in the audit plan/strategy
SR1	<p>Financial sustainability and commercial service development</p> <p>The Council no longer receives any Revenue Support Grant, and the reforms to business rates will likely result in a significant reduction, or complete removal, of this funding to Reigate & Banstead by 2020.</p> <p>The Council, therefore, needs to fund services from other income streams. This will increasingly require the Council to identify and take advantage of commercial opportunities, where services can deliver new income streams.</p> <p>This will involve new areas of work which will require new skills and expertise, as well as a reasonable level of risk taking. There will also be new legal requirements wherever company structures are established.</p> <p>If we do not generate new income streams in this way, it could lead to reductions in services and standards or service delivery failure.</p>	Planned for review in 2017/18.
SR2	<p>Housing & Welfare</p> <p>An increasing number of residents are being affected by a combination of welfare reforms and increasing housing costs. This increases the risk of residents becoming homeless, leading to their health and wellbeing being affected, which would subsequently increase the cost pressures on the Council.</p> <p>A lack of affordable accommodation increases the Councils reliance on expensive bed and breakfast, although following the purchase of temporary emergency accommodation we are expecting this to stabilise</p> <p>The increasing reliance on local charities and voluntary sector support may also impact on their sustainability.</p>	Homelessness support and Management of the Housing register last reviewed in 2017/18, resulting in substantial and reasonable assurance opinions respectively. Proposed next reviews 2020/21.

SR3	Homelessness Reduction Bill	Homelessness support last reviewed in 2017/18, resulting in substantial assurance opinion. Proposed next review 2020/21.
	<p>The Homelessness Reduction Bill, expected to go-live on 1 April 2018, will place an obligation on local authorities to provide a written personal housing plan to anyone that approaches the authority within 56 days of potential homelessness. Local authorities have a duty to keep the plan updated, and if homelessness is not avoided, have a further 56 day duty to continue working on the plan with the applicant; in many cases this will involve providing housing during the period.</p> <p>As a result, we expect a marked increase in casework, which has resource implications. As well as this, we also expect an increase in the number of households that we have a statutory obligation to accommodate.</p>	
SR4	Gatwick airport	Exclude No assurance needed. Decision now made to extend Heathrow.
	<p>The Government has announced that its preferred option for additional runway capacity in the south east is that it should be provided at London Heathrow. Consultation on a National Policy Statement (NPS) for the new runway is taking place in early 2017/18, following which a final decision will be made by Government and the airport operator will be able to submit a planning application.</p> <p>Given the controversy associated with a proposal of this scale, until national policy is formalised and planning permission granted, there will continue to be uncertainty about future plans for, and impacts on, Gatwick Airport. It is also noted that the current legal agreement not to build a second runway at Gatwick expires in 2019.</p> <p>In the meantime, Gatwick Airport is developing its own proposals for expansion under a one-runway scenario. As a major local business and employer, and given its proximity to the borough and the scale of passenger movements, it will be important to influence these proposals.</p>	

SR5	Development Management Plan	Exclude
	<p>Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan will be prepared, and further consultation (Regulation 19) undertaken prior to submission to the Secretary of State for Examination.</p> <p>The process for the allocation of specific sites for development will be politically sensitive and could result in negative publicity, impacting on the Council's reputation.</p> <p>Formal allocation of development sites through an adopted Local Plan will help the Council manage where and how development goes ahead, and will minimise the risk of speculative (particularly greenfield) planning applications.</p> <p>It is important that the draft DMP complies with the national planning policies: at the Examination a planning inspector will need to be satisfied that the plan is sound (evidence based, deliverable and consistent with national policy). If the draft DMP is found to be not sound, the adoption of the plan will be delayed until issues are rectified.</p>	<p>We have discussed with management completing a review in this area to provide assurance prior to submission. However, management believe adequate assurance arrangements are already in place and so no internal audit review is currently planned.</p>
SR6	Property Development	Planned for review in 2018/19.
	<p>In order to support the Council's financial sustainability, we will need to invest further in property to generate revenue income. The Council will need a well-defined and resourced Asset Management Plan to support this activity, with a programme of investments, developments and acquisitions. This may be carried out by the Council, the property company, or as part of joint working arrangements within and outside the Borough.</p> <p>Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks. These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</p> <p>Failure to invest in property will result in the Council not delivering the required savings and</p>	

income to deliver services and to fulfil our corporate objectives.

SR7	Cyber security Computer Viruses including new Trojans such as Ransomware are being released onto the Internet at an ever increasing rate. More sophisticated approaches and new variants suggest that on occasions it is possible that viruses will get through corporate defences and could be activated by unsuspecting ICT consumers. The effects of activating a virus are varied but at their worst the results can be destructive, service affecting or can leave the organisation with data protection issues	IT subject to annual review. Cyber security specifically reviewed in 2016/17 resulting in reasonable assurance opinion.
SR8	The UK's exit from the European Union The 'leave' result of the referendum on the United Kingdom's continued membership of the European Union has created a significant degree of uncertainty for the economy and the governance of the country. The results of this uncertainty are multifaceted and interlinked, but may include a generally weakened economy, a weakened currency, reduced consumer confidence and delays in investment decisions. The Government and the Bank of England are likely to adjust fiscal and monetary policies in response which could, in turn, have further impacts on markets and the economy. This could result in changes in the rate of inflation, interest rates, property prices and devolution deals.	Exclude No coverage given uncertainty of impact.
SR9	Partner decisions Funding pressures are impacting the whole public sector, not just RBBC. Decisions by other public service providers in our area may impact on our residents, businesses, and directly on RBBC itself. For example, we receive recycling credits from SCC worth circa £1m. SCC are the social care provider, and reductions in funding may impact on the service and support that is provided to our communities, and RBBC may need to increase services or support as a result.	Review of service and financial budget setting completed in 2017/18 resulting in substantial assurance opinion.

SR10	Recycling credits	Excluded from plan
<p>There is a risk that Surrey County Council and the Surrey Waste Partnership could withdraw recycling credits which would have a further negative impact on the council's budget.</p>		
SR11	Data Protection and General Data Protection Regulations (GDPR) Now the Data Protection Bill passing through Parliament	Review of GDPR planned for 2018/19
<p>We have always been aware of the potential risk of personal information being disclosed in breach of the Data Protection Act 1998 (DPA) and the associate</p>		
<p>penalty notice and other enforcement actions that would have a negative impact on the Council reputation. On 28 May 2018. The General Data Protection Regulations (GDPR) will replace the DPA and represents the biggest change to data protection law for 20 years. The implications of breaching the GDPR are potentially significant, with some breaches carrying fines of up to 4% of global annual turnover or 20 million Euros.</p>		

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes: a contingency allocation, time for tracking the implementation of actions and an audit management allocation. Full details of these can be found in appendices A and B.

2.2 Working with other assurance providers

The Overview and Scrutiny Committee is 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, such as external audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Mike Cheetham, supported by Lorna Raynes and Chris Benn as your client managers.

3.1 Fees

Our fee to deliver the plan will be in accordance with the contractual Deed of Variation signed on 2 May 2017.

3.2 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.3 Conflicts of interest

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

4 OVERVIEW AND SCRUTINY COMMITTEE REQUIREMENTS

In approving the internal audit strategy, the committee is asked to consider the following:

- Is the overview and scrutiny committee satisfied that sufficient assurances are being received within our annual plan (as set out at appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at appendix B) cover the organisation's key risks as they are recognised by the overview and scrutiny committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the overview and scrutiny committee content that the standards within the charter in appendix C are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the overview and scrutiny committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2018/19

Audit	Objective of the review	Proposed timing	Proposed Overview and Scrutiny Committee	Audit sponsor/ Audit lead
Risk Based Assurance				
New Data Protection Legislation (SR7)	<p>To provide information to client staff regarding the control and governance processes developed by the client in light the management of the forthcoming GDPR requirement changes and to highlight gaps in control processes where applicable.</p> <p>This review will focus on the robustness and delivery against the road map that is in place regarding GDPR.</p>	August 2018 (s/t to nature and timing of assurance required)	November 2018	
Procurement and Contracts (OR12)	<p>Compliance with Government requirements in respect of procurement contracts and transparency in decisions.</p> <p>This review will give assurance over a key area of operation that was last reviewed in 2015/16. It will also assist the Council in gaining assurance that it is obtaining value for money in its procurement activities.</p>	July 2018	October 2018	
Property management and maintenance (SR6)	To ensure the Council's processes and systems are suitable to ensure proper management of the Council's property assets, including acquisition and development work undertaken by the Council.	June 2018	September 2018	
Core Assurance				
Governance and risk management	<p>This review will consider the Council's compliance with the CIPFA framework released in 2016. The key principles of governance in the Code are:</p> <ul style="list-style-type: none"> Ethics and integrity Openness and stakeholder engagement Defining outcomes Determining interventions Developing leadership Managing risks and monitoring performance Demonstrating effective accountability 	January 2019	March 2019	

Audit	Objective of the review	Proposed timing	Proposed Overview and Scrutiny Committee	Audit sponsor/ Audit lead
	<p>Governance and risk management is explicitly referred to within our annual internal audit opinion and therefore we need to complete a review in this area to provide an annual opinion to the Council.</p> <p>In 2018/19 we will take our assurance regarding risk management from our risk based reviews above.</p>			
Fleet Management	<p>This area has not been subject to audit for some time and will challenge the Council's management of its fleet, covering purchasing, maintenance and health and safety practices.</p>	November 2018	January 2019	
Planning and S106/CIL compliance and income	<p>To review the controls, monitoring and expenditure procedures in place for s106 generally, and the affordable housing element specifically. To undertake sample testing to provide assurance that accurate allocation and spend is occurring in line with legislation.</p>	October 2018	January 2019	
Dog Warden	<p>This review will consider the 'Dog Warden back office' functions and will include operational deployment, invoicing and partnership working</p>	May 2018	September 2018	
Redaction procedures	<p>A review of the Council's planning redaction procedures in light of Basildon Council's recent fine for publishing sensitive data relating to a planning application.</p>	June 2018	September 2018	
Contract management of Community Centres	<p>This review will consider if the existing contract management arrangements are appropriate. Also to provide assurance that the monitoring and reporting of performance is robust and meaningful. The outcome of the audit will inform any retendering of the contract</p>	January 2019	March 2019	

Controls Compliance – The below are all key operational areas for the Council and therefore these reviews give assurance that these key processes continue to operate as planned

Treasury Management	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019
Main accounting and general ledger	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019
Payroll	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019
Debtors	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019
Creditors	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	November 2018	February 2019

Other internal audit activity

Contingency	To allow additional reviews to be undertaken in agreement with the Overview and Scrutiny Committee or management based in changes in risk profile or assurance needs as they arise during the year.	tbc	tbc
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Ongoing	Ongoing
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Overview and Scrutiny Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers Preparation of the annual opinion	Throughout the year	N/A

APPENDIX B: INTERNAL AUDIT STRATEGY 2018 – 2021

Assurance Map key (prior assurance)				
No assurance	Partial assurance	Reasonable assurance	Substantial assurance	Advisory

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Risk based assurance					
Financial sustainability and commercial service development (SR2)	A number of projects have been established by the Council which include: <ul style="list-style-type: none"> Strategic property development Trade waste expansion Health and integrated care	2017/18			✓
Housing and welfare – homelessness support (SR3)	Budget in this area has been increased to support the cost of this service and provide support for residents. Working in partnership with housing associations and purchase of property to provide temporary accommodation	2017/18			✓
Development Management Plan (SR5)	Delivery of the new local plan to prescribed timescales and content. For coverage in 2018/19.	None			
Commercial services (SR6)	An Asset Management Plan for a programme of investment, development and acquisition over the next 10 years is in place. Will require funding of a property company to which assets will be transferred.	None		✓	
IT system reviews (SR7, SR11)	Maintaining IT Security. In 2018/19 we suggest this focusses on GDPR	2017/18 2016/17 (Agresso IT system change) 2016/17 (Cyber security)	✓	✓	✓

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Procurement and Contracts (OR12)	Compliance with Government requirements in respect of procurement contracts and transparency in decisions.	2015/16	✓		
Strategic planning (SR9)	This review will consider the Council's ability to respond to changes in the external environment.	2017/18 (budget setting)			
Digitalisation	With the advent of the digitalisation agenda we will consider how working methods have developed and how the council has and could further improve these services to identify savings.	2017/18			✓
Property management and maintenance (SR6)	To ensure the Council's processes and systems are suitable to ensure proper management of the Council's property assets, including acquisition and development work undertaken by the Council.	N/a	✓		
Core Assurance					
Service and financial budget setting.	Management request of a detailed review of the operation of the setting of budgets and the ongoing monitoring of income and expenditure. This audit will challenge the processes used for the budget setting, against required and best practice, and how well those are then monitored thereafter to ensure that the financial plan of the Council are achieved.	2017/18			✓
Governance: openness and transparency	Review of an aspect of the governance arrangements of the Council.	2017/18 2015/16	✓	✓	✓
Information governance	This audit will cover the processes adopted for the close management of data and information, particularly at a time when remote working is encouraged.				✓

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Corporate planning and performance management	Adequacy of process to develop and approve the corporate plan, and then how that plan is monitored and delivered through performance management review and checking the quality of the data used for the performance monitoring.	2016/17		✓	
Car Parking	Completeness of income due for on street and off street parking, use of machines, mobile payments and enforcement of penalty charge notices. This will include the process for the enforcement of payments of penalty notices and the provision of benchmarking data concerning penalty charge notices.	2016/17 2017/18			✓
Fleet Management	This area has not been subject to audit for some time and will challenge the Council's management of its fleet, covering purchasing, maintenance and health and safety practices.	2015/16	✓		
Management of housing register	Compliance with current requirements for the management of the register. To determine whether improvements or changes could be made given the pressure on homeless services.	2017/18			✓
HR management: recruitment	This review will consider the Council's processes for recruitment, including the consideration of the approval to recruit, as well as compliance with internal processes and pre employment checks.	2015/16		✓	
Health and Safety compliance	To review the processes followed by management to ensure that there is compliance with legislation for staff and service users across the operations of the Council. We will consider consistency of application across the Council to ensure that practice is embedded and areas of responsibility are clear.	2016/17		✓	

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Civil contingencies	Compliance with requirements place on the Council for meeting the Civil Contingencies Act.	2017/18			✓
Business continuity and disaster recovery	Assurance over back office arrangements for ensuring continuity of the councils functions in the event of a problem.	2016/17		✓	
Risk management	In 2018/19 we will take our assurance regarding risk management from our risk based audits.	2017/18 2016/17 2015/16		✓	✓
Management of grant applications and payments (including disabled facilities grants)	This audit will cover the control framework established for the management of grant applications received and payments awarded to ensure that such payments are in place with the applications as well as the requirements of the grant scheme. This will also cover contractual arrangements to ensure that value for money is being obtained where funds are awarded.	2015/16		✓	
Planning and S106/CIL compliance and income	This review will focus on compliance with standards/legislation. We will also undertake testing to provide assurance on the completeness of the collection of income as well as compliance with planning legislation through to enforcement actions taken by the Council.	2016/17 2017/18 (planning decision approval)	✓	✓	✓
Building Control	Review of the joint venture arrangement with Mole Valley District Council and Tandridge District Council to ensure that the service operates as planned and in line with governance intentions.	2017/18			✓
PCI compliance	This review will consider the extent to which a system is in place and designed to ensure debit and credit card data is being dealt with in line with the PCI standards and is processed in a robust and consistent manner and remains secure from fraud.	N/a	✓		

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Dog Warden	This review will consider the 'Dog Warden back office' functions and will include operational deployment, invoicing and partnership working	N/a	✓		
Redaction procedures	A review of the Council's planning redaction procedures in light of Basildon Council's recent fine for publishing sensitive data relating to a planning application.	N/a	✓		
Contract management of Community Centres	This review will consider if the existing contract management arrangements are appropriate. Also to provide assurance that the monitoring and reporting of performance is robust and meaningful. The outcome of the audit will inform any retendering of the contract	N/a	✓		
Controls Compliance					
Revenues	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2015/16 2017/18		✓	
Benefits	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2015/16 2017/18		✓	
Treasury Management	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2016/17	✓		✓
Capital accounting and fixed assets	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2017/18			✓
Main accounting and general ledger	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2016/17 2015/16	✓		✓

Proposed area for coverage	Internal audit coverage	Previous IA coverage	2018/19	2019/20	2020/21
Payroll	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2017/18 2016/17 2015/16	✓	✓	✓
Debtors	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2016/17 (Licensing) 2016/17 (Pest Control)	✓		✓
Creditors	Review of the existing control framework to provide assurance that it continues to operate as planned and is complied with in practice.	2017/18 2016/17 2015/16	✓	✓	✓
Other Internal Audit Activity					
Contingency	To allow additional reviews to be undertaken in agreement with the Overview and Scrutiny Committee or management based in changes in risk profile or assurance needs as they arise during the year.		✓	✓	✓
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.		✓	✓	✓
Management	This will include: Annual planning Preparation for, and attendance at, Overview and Scrutiny Committee Administration of our actions tracking database – 4Action Regular liaison and progress updates Liaison with external audit and other assurance providers Preparation of the annual opinion		✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Reigate and Banstead Borough Council. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the audit committee.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. An overview of our client care standards are included at Appendix D of the internal audit strategy plan for 2018 – 2021.

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of internal auditing
- Code of Ethics; and
- The Standards

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Partner Mike Cheetham (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the chief executive, with further reporting lines to the Project and Business Assurance Manager.

The head of internal audit has unrestricted access to the chair of Overview and Scrutiny Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Reigate and Banstead Borough Council. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Overview and Scrutiny Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Overview and Scrutiny Committee.

Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Overview and Scrutiny Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Overview and Scrutiny Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Overview and Scrutiny Committee to demonstrate the performance of the internal audit service.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Overview and Scrutiny Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment, and then issued as a final report to management. Management then provide the executive summary to the Overview and Scrutiny Committee within their quarterly performance report. Members are also given access to the full final report, as all final reports are uploaded to the Members portal. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Fraud

The Overview and Scrutiny Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Overview and Scrutiny Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Overview and Scrutiny Committee is also approving the internal audit charter.

APPENDIX D: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date
- The lead auditor to contact the client to confirm logistical arrangements two weeks before the agreed start date.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Two weeks after a debrief meeting a draft report will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

FOR FURTHER INFORMATION CONTACT

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REIGATE AND BANSTEAD BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

ANNUAL REPORT 2017/18

This Annual Report reviews Overview and Scrutiny activities in 2017/18.

1. Introduction

- 1.1. The Overview & Scrutiny Committee has a number of roles in its terms of reference:
- scrutiny of the decision making process;
 - monitoring the Council's performance;
 - operating as the "Audit Committee" of the Council;
 - operating as the "Crime and Disorder 'Scrutiny' Committee";
 - supporting the strategic development of policy proposed by the Executive;
 - reviewing issues of concern to local people through Councillor calls for Action;
 - "Call in" of Executive decisions;
 - participating in Joint Scrutiny arrangements in Surrey;
 - monitoring and scrutinising the activities of other organisations that impact on residents and businesses in the borough;
- 1.2. The Committee consists of 15 Members and establishes Review Panels, where required, to undertake detailed work on a 'task and finish' basis. These Panels mostly consist of five members. Panel recommendations are presented to the Committee, the Executive and/or Council.
- 1.3. In 2017/18 the advance questioning procedure was utilised for a number of the Committee's activities, to the benefit of both the Committee and those attending at its request. This procedure has worked well as it provides Members more time to research issues and prepare questions. It also enables Officers, Members and external guests to prepare more detailed responses.
- 1.4. The Committee continued the arrangement of holding Executive Members to account for their responsibility areas by inviting them to present their objectives, recent achievements, current challenges and future priorities to the Committee.
- 1.5. The eMembers Room (Members' extranet) continued to provide Members with access to information to support their role and includes:
- performance information including Internal Audit review reports;
 - responses to Member questions raised at its meetings;
 - presentations received at its meetings;
 - Scrutiny Panel reports.
- 1.6. The Membership, Terms of Reference of the Committee and attendance at the Committee and its Panels are given in Annex 1.

2. Holding the Executive to Account

- 2.1. The Executive Members and/or Management Team representatives supported our scrutiny activities and attended meetings of the Committee and Scrutiny Panels throughout the year.
- 2.2. The Committee held the Leader and Executive Members to account through:
 - the attendance of the Leader, the Deputy Leader and Executive Members at the Committee or its Panels to explain how the Executive proposed to deliver its plans and strategies; and
 - Executive Members presenting their objectives to the Committee.
 - The consideration of a Call-In by Members of a decision by the Executive to increase the loan facility offered to the Pathway for Care company.
- 2.3. Councillor Mr. T. Schofield, Executive Member for Finance attended the Budget Scrutiny Panel, together with other Executive Members, to support the Panel's scrutiny. Councillor T. Schofield also attended the Committee meeting at which the report of the Budget Scrutiny Panel was received and considered, to further support this process.
- 2.4. Councillor Mr. G. Knight, Executive Member for Community Safety, attended the Committee's annual 'Crime and Disorder' meeting to support the scrutiny of the Community Safety Partnership.
- 2.5. The Committee considered a Call-In by Members of the Executive's decisions of 9 November authorising an increase in the loan facility provided by the Council to the Pathway to Care company. Additional detail of this process is provided in the Call-In section of this report.
- 2.6. The Committee requested an update on services supporting individuals with Dementia in the Borough, which was provided at the 7 December 2017 meeting of the Committee. Councillor Mrs. R. Mill, Executive Member for Leisure & Wellbeing, attended this meeting to support consideration of the item.
- 2.8. The Committee requested an update on the Pathway for Care company, which was provided at the 7 December 2017 meeting of the Committee.
- 2.9. The Committee conducted advanced scrutiny of the proposed recommendations for the next steps for Pathway for Care at the 15 March meeting of the Committee, in advance of their consideration by the Executive on 29 March.

3. Executive Member Objectives

- 3.1. The following Executive Members presented their objectives to the Committee (in chronological order):
 - Councillor Mr. T. Schofield, Executive Member for Finance, who provided a briefing on the Council's financial considerations, actions and processes, including the Service and Financial Planning process and the challenges facing the Council;
 - Councillor Dr. L. Hack, Deputy Leader and Executive Member for Neighbourhood Services, who provided a briefing on the work of the Council's work around recycling, refuse and greenspaces and services operating from the Earlswood Depot site;

- Councillor Mrs R. Renton, Executive Member for Housing & Infrastructure, who provided a briefing on the Council's work around housing and homelessness support, community development and associated work to support local communities and residents;
- Councillor Mr. G. Knight, Executive Member for Community Safety, who provided a briefing on the community safety work of the Council, including licensing and regulatory activities, enforcement and JET team activities, parking, and work with the East Surrey Community Safety Partnership
- Councillor Mrs. R. Mill, Executive Member for Leisure and Wellbeing, provided a briefing on the Council's support for leisure facilities and residents' wellbeing in the borough, as well as the work undertaken to support the health of those within the borough.

3.2. The Committee welcomed the opportunity to examine in detail the work of portfolio holders, to test the relationship of this work to the Council's corporate objectives and to scrutinise the performance of the Council's services.

4. "Crime and Disorder 'Scrutiny' Committee"

4.1. The Committee again held an annual meeting as part of its 'Crime and Disorder' responsibility. The Committee scrutinised the activities of the East Surrey Community Safety Partnership (ESCSP) in 2017/18.

4.2. Representatives from Surrey Police and Surrey County Council, as key community safety partners, were invited to attend the meeting and supported the Committee in its scrutiny activity.

4.3. The Committee investigated in questioning a wide range of community safety issues, and explored the working arrangements, successes and future plans and priority setting processes of the ESCSP, along with a discussion of best communication practices and the challenges faced by the Police.

5. Work with Housing Partners: Housing Associations

5.1. An overview of the Partnership Agreement with Raven Housing Trust and update on related housing activity was presented to the committee by the Portfolio Holder for Housing and Infrastructure in the Portfolio Holder Briefing in December 2017. There was an opportunity for the Committee to ask questions regarding the Council's work in this area. The next Housing and Infrastructure Portfolio Holder Briefing is scheduled for April 2019.

6. Performance Monitoring

6.1. The Committee continued to monitor the Council's performance. This included reviewing the following information:

- Revenue, Capital and Service Performance Management (quarterly);
- Risk Performance Management (six monthly);
- wider economic indicators and issues that affect public services (quarterly); and
- performance against the 5 Year Plan 2015-20 (six monthly).

6.2. The detailed information on performance variances and responses to Member questions was provided in the eMembers Room in support of this activity. More detailed information on service performance was also available from the eMembers Room.

- 6.3. The advance questioning procedure was utilised to support each quarterly performance report, and the Chief Executive, in regularly supporting meetings of the Overview and Scrutiny Committee, was able to answer additional questions on performance. Where the Chief Executive was unable to attend, the appropriate Management Team representative attended to provide continuity of support to the Committee.
- 6.4. The quarterly reports showed that the Council continued to perform well. Any comments from the Committee on performance were reported to the Executive for their consideration.
- 6.5. The Council's IT systems are continuing to be updated, with a project currently in progress to replace the committee management software. An update on the system improvements implemented will be provided following the completion of the update process.

7. Audit

A Internal Audit

- 7.1. There were 18 Internal Audit reviews undertaken by RSM (the Council's Internal Audit contractor) in the 2017/18 period up to the end of March, of which 14 final reports have been issued. The remainder are underway and will be reported in 2018/19. Each final report was provided in full on the eMembers Room and Members were encouraged to submit advance questions to Committee meetings on a quarterly basis. Exception reports are provided to the Committee where an audit identifies significant concerns. There were no exception reports required in 2017/18 as no major issues were identified by the audits.
- 7.2. In June 2017 the Committee considered RSM's Annual Internal Audit Report for the year ended 31 March 2017, which provided a positive opinion on the overall adequacy of and effectiveness of the organisation's risk management, control and governance processes.
- 7.3. As delegated in the Council's Constitution, the Committee considered RSM's Updated Internal Audit Strategy and Audit Plan for 2017/18 at the end of 2016/17. The Internal Audit Strategy and Audit Plan for 2018/19 are on the Agenda for consideration by the Committee at the April meeting. The Internal Audit Strategy and Audit Plan identify key risks facing the Authority, and the risks identified for 2017/18 were monitored throughout the year via the Internal Audit reviews.
- 7.4. In March 2017, the Committee considered the strategic risk register for 2018/19 and had the opportunity to make any comments to the Executive.

B External Audit

- 7.5. The Committee received the annual report for the 2016/17 financial year from the External Auditors (KPMG) in October 2017.
- 7.6. The Committee were pleased to note that KPMG had been generally positive and that no major issues had been identified by the auditors. This confirmed that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The minor issues identified were noted to be being monitored and were noted to be expected to be resolved.

8. Joint Scrutiny Arrangements in Surrey

- 8.1. Though the Committee has the facility to undertake joint scrutiny, no such reviews took place in 2017/18. The facility will be utilised in the future should a topic be identified that meets the criteria for collaborative scrutiny.

9. Strategy and Policy Development

- 9.1. The Committee commented on the following draft strategies and policies:
- Treasury Management Strategy 2018/19;
 - Medium Term Financial Plan 2018/19-22/23 (through the budget scrutiny process).
- 9.2. The Committee also received and considered the Schedule of Meetings for 2018/19.

10. Operational arrangements

- 10.1. As the Chairman of the Committee I had regular meetings with the Chief Executive which focussed on delivering the Committee's work programme. I am particularly appreciative of this involvement and for the support of the Chief Executive at our meetings.
- 10.2. I am equally grateful for the support provided by the Leader of the Council, with whom I met to discuss the work of the Executive and the work of the Committee, and how these could continue to support and complement each other. In accordance with the Overview and Scrutiny Committee's Procedure Rules, the Committee's work programme for 2018/19 was discussed with the Leader.

11. Review Panels

- 11.1. The Committee had two Review Panels this year, as detailed below.

A Budget Scrutiny Review Panel (Chairman: Cllr. Mr. N. Harrison)

- 11.2. The Budget Scrutiny Review Panel reviewed the Service & Financial Planning (Provisional Budget) 2018/19 report.
- 11.3. The Panel undertook a very robust review and considered over 100 advance questions along with further questions and comments that were raised within the meeting.
- 11.4. The Panel recognised and appreciated the significant amount of work that had gone into preparing the service and financial plans for 2018/19 and concluded that the budget proposals were sound, balanced and achievable. This also applied to the updated Capital Programme and Medium Term Financial Plan.
- 11.5. The Committee supported the conclusions of the Panel and provided its comments to the Executive for their final consideration of the Budget.

B Local Development Framework Scrutiny Review Panel (Chairman: Cllr. Mr. M. Brunt, in his role as Planning Committee Chairman)

- 11.6. The Local Development Framework Scrutiny Review Panel was constituted in October 2014 on an ongoing basis, with a remit to consider emerging planning policy documents, in particular the Development Management Plan (DMP) and the Community Infrastructure Levy (CIL). The Panel met in October 2017 to consider the process of the DMP from the Regulation 18 consultation document to the proposed Regulation 19 submission
- 11.7. The Panel was broadly satisfied that the Regulation 19 document had been developed appropriately. Its comments and minor clarifications were supported by the Committee.

12. 'Call-in' of Executive Decisions

- 12.1. One Call-In was received during 2017/18, regarding the Executive's decisions of 9 November authorising an increase in the loan facility provided by the Council to the

Pathway for Care company (a local authority trading company established by the Council).

- 12.2. This Call-In was made on the grounds that the Members calling in the decision was not made in compliance with Principles of Decision Making 14.2.4 ('a presumption in favour of openness') and 14.2.5 ('clarity of aims and desired outcomes') of the Council's constitution.
- 12.3. This Call-In was considered by the Committee at a special meeting on 30 November 2017, where the Call-In was thoroughly discussed and considered, with the Leader and a number of Executive Members present to answer questions.
- 12.4. This Committee noted the information and evidence considered and informed the Executive accordingly, but did not require any further action to be taken. The Committee did note that it hoped to see improved availability of information regarding Council decisions to all Councillors where appropriate, and that greater attention would be paid to ensuring that formal reports were sufficiently comprehensive and informative, particularly regarding commercial activities.

13. Community Call for Action

- 13.1 No Community Calls for Action were recorded during 2017/18.

14. Conclusion

- 14.1. The Committee recognises that the Council continues to focus on outcomes for residents and businesses and is responding well to financial pressures and managing its processes in an efficient manner. The work of the Overview and Scrutiny Committee has maintained a streamlined approach in 2017/18 and in developing its work programme for 2018/19 has sought to continue this.
- 14.2. Nevertheless, the Committee has worked hard on behalf of the Council and community in scrutinising the Council's decision making process, holding Executive Members to account, and monitoring the Council's performance, as well as contributing to strategic policy development. All of this activity adds great value to the Council's processes and assists the Council to uphold a consistently high level of service.
- 14.3. There have been a number of challenges considered by the Committee this year, particularly around the Council's commercial activities, and including the Call-In noted in section 12 of this report. Through the Committee's work with the Executive on these issues, I hope that the Council has been able to learn valuable lessons which will support the future work of the Council and this Committee in best serving our residents and the borough.
- 14.4. In accordance with the Overview and Scrutiny Committee's Terms of Reference, the Council is requested to note this Annual Report.

**COUNCILLOR B.A. STEAD
CHAIRMAN,
OVERVIEW AND SCRUTINY COMMITTEE**

OVERVIEW AND SCRUTINY COMMITTEE

MEMBERSHIP 2017/18

All Councillors, except Members of the Executive, may be Members of the Overview and Scrutiny Committee and Panels appointed by it. However, no Member may be involved in scrutinising a decision in which he/she has been directly involved.

For information, the Membership of the Committee during 2017/18 was as follows:-

Councillor Mr. B.A. Stead (Chairman)

Councillors	Mrs. D. Absalom	Councillors	Mr. N. Harrison
	Mr. R. Ashford		Mr. R. Mantle
	Mr. M. Blacker		Mr. S. Parnall
	Mr. M. Brunt		Mr. D. Powell
	Mr. R. Coad		Mrs. D. Ross-Tomlin
	Mr. G. Curry		Mr. J. Stephenson
	Mr. J. Essex		Mrs. R. Turner

TERMS OF REFERENCE

The Terms of Reference of the Overview and Scrutiny Committee are set out below:-

(a) Scrutiny

- Review and scrutinise decisions made by, and the performance of the Leader / Executive decision maker, Committees and Council Officers excluding decisions on individual applications/cases;
- Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets or particular service areas;
- Make recommendations to the Leader / Executive decision maker, Committees or the Council arising from the outcome of the scrutiny process;
- Review and scrutinise the performance of other public bodies.

(b) Policy Review and Development

- Assist the Council [and the Executive] in the development of its budget and policy framework;
- Conduct research, community and other consultation on policy issues and possible options.

In relation to (a) and (b) above:

- Question the Leader / Executive decision maker, Committees, Directors, Chief Officers or Heads of Service;
- Liaise as necessary with external organisations;
- Question and obtain confirmation/advice from any other person/organisation.

(c) Budget/Resources

- To exercise responsibility for resources allocated to support the work of the Committee.

(d) Audit Responsibilities

- To consider the effectiveness of the Council's risk management arrangements;
- Approve the Council's internal audit strategy and monitor performance;
- Review summary internal audit reports and the main issues arising, and seek assurance that appropriate action has been taken where necessary;
- Receive the annual report of the Chief Internal Auditor;
- Be consulted upon reports received from External Audit and other inspection agencies.

(e) Crime and Disorder

- That for the purposes of the Police and Justice Act 2006 that the Overview and Scrutiny Committee be designated as the Crime and Disorder Committee with the following remit:
 - (a) To review or scrutinise decisions made, or action taken, in connection with the discharge by the responsible authorities of their crime and disorder functions;
 - (b) To make reports or recommendations to the responsible authority(s) with respect to the discharge of those functions.

(f) Joint Scrutiny

- The scrutiny and reporting functions set out in the Local Government and Public Involvement in Health Act 2007 and the Local Authorities (Overview and Scrutiny Committees) (England) Regulations 2009 and any amendments made thereto, and in particular:
 - (a) The scrutiny of the improvement targets contained in the Surrey Local Area Agreement; and
 - (b) To make reports or recommendations to the LAA partners with respect to the matters that relate to a relevant LAA target.

(g) Generally

- To report annually to the Council on the Committee's work and (following consultation with the Executive) upon the future Work Programme for the Committee;
- To appoint panels as necessary to carry out and report upon the work of the Committee;
- To consider any valid Councillor Call for Action;
- To ensure effective scrutiny of the Treasury Management Strategy and procedures.

ATTENDANCE 2017/18

Overview and Scrutiny Committee		
No. of Meetings Held Not including 19 April	Members	No. of Meetings Attended Not including 19 April
8 (Including Extraordinary Meeting of 30 November 2018)	Councillors Mr. B. Stead (Chairman)	8
	Mr. S. Parnall (Vice Chairman)	7
	Mrs. R. Absalom	8
	Mr. R. Ashford	8
	Mr. M. Blacker	8
	Mr. M. Brunt	8
	Mr. R. Coad	6
	Mr. G. Curry	8
	Mr. J. Essex	5
	Mr. N. Harrison	7
	Mr. R. Mantle	7
	Mr. D. Powell	4
	Mrs D. Ross-Tomlin	4
	Mr. J. Stephenson	8
Mrs. R. Turner	8	

REVIEW PANELS 2017/18: ATTENDANCE

Panel	No. of Meetings Held	Members	No. of Meetings Attended
Budget Scrutiny Review	1	Councillors Mr. N. Harrison (Chairman) Mr. M. Blacker Mr. R. Coad Mr. J. Essex Mr. J. King Mr. J. Stephenson Mrs. A. Tarrant	1 1 1 1 1 1 -
	Note:	Councillors Mr. T. Schofield, Executive Member for Finance, Mr. B. Stead and Mr. C. Whinney also attended.	

Panel	No. of Meetings Held	Members	No. of Meetings Attended
Local Development Framework Panel	2	Councillors M. Brunt (Chairman) Mrs. R. Absalom Mr. M. Blacker Mr. S. McKenna Mr. M. Selby	2 2 1 1 2
	Note:	Councillor Mr. J. Essex also attended.	