

Audit Committee - 14 February 2006

Time: 7.30pm

Place: Council Chamber

1. APOLOGIES

To receive any apologies for non-attendance.

2. DISCLOSURES OF INTEREST

To receive any disclosures of interest from Members in accordance with the Members' Code of Conduct.

3. ELECTION OF CHAIRMAN

To appoint the Chairman of the Audit Committee.

4. ELECTION OF VICE-CHAIRMAN

To appoint the Vice-chairman of the Audit Committee.

5. THE ROLE OF THE AUDIT COMMITTEE

The Head of Audit Services will provide an overview on the role of the Audit Committee and answer Members' questions.

6. COMMITTEE WORK PROGRAMME 2006

The Committee needs to decide its work programme and schedule of meetings for this year and how it wishes to operate; a list of possible items to be included in a work programme is **attached**. Members need to identify any other issues they wish to include in the programme.

7. QUARTERLY AUDIT REPORT

To receive a report from the Head of Audit Services (copy attached).

8. RISK MANAGEMENT

To receive a presentation from the Head of Audit Services on the current risk management process.

AUDIT COMMITTEE WORK PROGRAMME

Audit Committee – 14/02/2006

Report of the Strategic Director (Support)

Executive Summary

This report informs the Audit Committee about its role in improving corporate focus on issues relating to risk management, internal control and reporting. It sets out the Terms of Reference agreed by the Council in establishing the Audit Committee, and asks the Audit Committee to agree a work programme and timetable for its meetings.

MAIN ISSUES

- Need for the Audit Committee to decide its programme of work and approach.
- Work programme to cover period until May 2007

OPTIONS

- (a) To accept the work programme and timetable, as drafted, while bearing in mind that it is an updateable document
- (b) To develop an alternative work programme and timetable.

CORPORATE PRIORITY:

All 4 priorities.

OFFICER RECOMMENDATIONS

The Audit Committee is asked to:

1. **Adopt the work programme and timetable (which may be updated from time to time) outlined in the attached [AppendixA](#).**

1. BACKGROUND

1.1 The Council established an Audit Committee at its meeting on 20th October 2005. The overall Terms of reference for the Audit Committee were resolved to be

‘The purpose of the Audit Committee will be to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process.’

and that the detailed terms of reference and core functions of the Audit Committee in respect of audit matters would be:

- (a) To approve (but not direct) the internal audit’s strategy, plan and performance.
- (b) To review summary internal audit reports and the main issues arising, and to seek assurance that action has been taken where necessary.
- (c) To consider the reports of external audit and inspection agencies.
- (d) To consider the effectiveness of the authority’s risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- (e) To be satisfied that the Authority’s assurance statements, including the Statement on Internal Control, properly reflect the risk environment and to take actions required to improve it.
- (f) To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- (g) To review the financial statements, external auditors opinion and reports to members, and monitor management action in response to the issues raised by external audit.

1.2 Subsequently, at its meeting on 15th December 2005, the Council resolved that the size of the Audit Committee would be 7 voting members, nominated to reflect the political balance of the Authority.

2. MAIN ISSUES

2.1 As this is the first meeting of the Audit Committee under the new arrangements approved by Council, the committee is requested to decide its

work programme for future meetings and the approach to working it wishes to take.

- 2.2 This committee will be a key component in the corporate governance of the Council. As such, it should have the ability to improve corporate focus on issues relating to risk management, internal control and reporting. The committee therefore has a role in ensuring public confidence in the objectivity and fairness of financial and other reporting.
- 2.3 The work programme has therefore been drafted to take into account the purpose of the committee, its terms of reference and the Council's financial year. As the establishment of the Audit Committee has occurred part way through the Council's year, the work programme has been developed to cover the period until May 2007.

3. OPTIONS

- (a) To adopt the work programme and timetable, as drafted, while bearing in mind that it is an updateable document
- (b) To develop an alternative work programme and timetable.

4. PROPOSALS

- 4.1 It is suggested that in order to fulfil its purpose and terms of reference, a work programme and timetable is required for the Audit Committee. The work programme should be sufficiently flexible to allow additional matters to be considered as the need arises.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no additional financial implications.

6. LEGAL IMPLICATIONS

- 6.1 There are no specific legal considerations.

7. RISK IMPLICATIONS

- 7.1 Without a structured programme, the committee is at risk of failing to fulfil its remit correctly.

8. SUPPORT FOR CORPORATE PRIORITIES

- 8.1 As the committee has a role in ensuring public confidence in financial reporting and therefore an impact on improving delivery of services, adoption of a flexible work programme and timetable supports all four corporate priorities.

9. OFFICER RECOMMENDATION

- 9.1 The Audit Committee is asked to:

Adopt the work programme and timetable (which may be updated from time to time) outlined in the attached [Appendix A](#).

Contact: Deanna Harris Head of Audit Services (01784) 446207

Report Author: Kathryn Thomas, Committee Manager (01784) 446484

Portfolio Holder: Councillor Ed Searancke

Background Papers: None

**AUDIT SERVICES QUARTERLY REPORT
FOR THE PERIOD October - December 2005**

**Audit Committee – 14 February 2006
Report of Strategic Director (Support)**

Executive Summary

The Accounts and Audit Regulations require the Council to maintain an adequate and effective internal audit of their accounting records and control systems. This report provides the Council with assurance of the adequacy of those controls and provides details of work undertaken by Audit Services during the period October – December 2005.

Main Issues

- BVR Use of Resources
- Staines Town Centre
- Independent living
- Risk Management
- Customer Services
- Contract Audit

Options

There are none.

Corporate Priority:

The maintenance of a strong internal control environment supports all corporate priorities.

Officer Recommendations

The Audit Committee is asked to:

1. **Note the contents of Audit Services' Quarterly Report.**

REPORT

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations require the Council to maintain an adequate and effective internal audit of their accounting records and control systems. This report provides the Council with assurance of the adequacy of those controls.

2. MAIN ISSUES

- 2.1 **Use of Resources** – The Head of Audit Services met regularly with an officer group and collated evidence to support the Use of Resources Assessment by external audit.
- 2.2 **Staines Town Centre** – A risk assessment was prepared for proposed agreement with developer on phases 2 and 3, advice was given regarding tendering of consultants and the need for project management highlighted.
- 2.3 **Independent Living** – A risk assessment resulted in a number of recommendations for improving control over income from day centres, greater awareness of Financial Regulations and possible economies through bulk purchasing of food. Advice was given to senior management regarding risks associated with the re-configuring of elderly services. A report on the SPAN service will be issued shortly.
- 2.4 **Risk Management** – Audit updated SpelNet with links to corporate and service risk registers, and flowchart to show how the risk management process works at Spelthorne.
An assurance framework document was produced to demonstrate the sources of assurance used in preparation of the Statement on Internal Control (SIC). Audit Services are working with Policy and Performance to implement a system (via PBViews) to demonstrate that managers are ‘managing risks’. The Head of Audit attends the Corporate Risk Management Group.
- 2.5 **Customer Services** – The risk assessment has been updated and draft report issued. Findings will be reported in the Annual Report.
- 2.6 **Contract audit** – Following an audit of the planned maintenance contract (reported to MAT in October 2005), an independent review of the service has been commissioned to address the matters raised.

3. OTHER AUDIT WORK

- 3.1 The following audits commenced but due to capacity issues in services, were not completed during the period: Housing Needs and E-government.
- 3.2 Code of Corporate Governance – Reviewed Code with Head of Corporate Governance (reported to Performance Management and Review Committee 6 December 2005)
- 3.3 Payments – Recommended need for enforced separation of duties in the ordering/invoicing system to improve control. Audit provided advice to

consultants employed to carry out Business Process Re-engineering of payment systems.

- 3.4 Land Charges – Previous recommendation regarding the implementation of corporate income procedures for handling cheques has not been implemented pending further work planned by Service Head.
- 3.5 Car Parks – Advised management that procedures should be documented as soon as possible.
- 3.6 Audit Committee – Reviewed CIPFA advice on Audit Committees.
- 3.7 Credit Cards – Audit advised on risks/controls following agreement in principle to extend credit card use.
- 3.8 Audit Advice – Advice given on systems and procedures, particularly in relation to Contract Standing Orders, security of equipment/assets following recent thefts from offices, e-tendering procedures, Internet use, reconciliation of automatic toilet income, Procurement Board terms of reference, terms and conditions for consultant appointments, advice to Asset Management Group, contract registers etc.
- 3.9 Partnering – Continued to discuss and develop partnering opportunities with other Surrey districts. Meeting with Breckland/Forest Heath Boroughs regarding their Revenue/Benefit partnership.
- 3.10 Training – Attendance at Surrey Audit Group, CIPFA Diploma in Public Audit / induction training and CIPFA contract audit course.
- 3.11 Other – The Internal Audit Manual was revised and compliance with the Cipfa Code of Conduct reviewed. A new customer satisfaction form has been designed for use at year-end.
- 3.12 General admin – Meetings (team, staff, departmental management, managers' briefings) - performance clinics – budget meetings and other admin. Time was spent dealing with temporary contracts, allocating and supervising work etc

4. Contract Audit

- 4.1 Contract payments were reviewed and recorded.
- 4.2 Old Town Hall Final Account – Advised management on the requirement for:
 - Executive approval to major variations,
 - Detailed costings for additional works (valued at £49k),
 - Authority for individual variations
 - Authority to take overspend of £50k from sale proceeds rather than obtaining approval to higher contract sum.
- 4.3 Leisure Centre Filtration – Audit raised concerns over the financing of overspend from Planned Maintenance budget. Executive approval should be given to overspend resulting from significant variations.

Control of the Planned Maintenance budget has been raised with the Chief Accountant who will be considering audit advice to show projects separately in

the budget. The Planned Maintenance budget should only be used for that purpose.

5. SPECIAL INVESTIGATIONS

5.1 During the period two investigations were undertaken. The Head of Audit Services will report verbally at the committee meeting.

6. OPTIONS

There are none.

7. PROPOSALS

7.1 There are none.

8. FINANCIAL IMPLICATIONS

8.1 There are none.

9. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

9.1 Completion of the Audit Plan demonstrates compliance with Local Government Act 1972 and Accounts and Audit Regulations 2003.

9. RISKS

Significant risks associated with individual audits are reported in this report. Failure to implement audit recommendations will result in increased risks for the authority. All audit work is supported by detailed risk assessment.

10. SUPPORT FOR CORPORATE PRIORITIES

The maintenance of a strong internal control environment supports all corporate priorities.

11. OFFICER RECOMMENDATIONS

The Audit Committee is asked to note the contents of Audit Services' Quarterly Report.

Contact:

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Report Author:

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Portfolio Holder:

Councillor Searancke

Background papers:

Relevant audit reports