

Audit Committee - 17 October 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. MINUTES

To consider the Minutes (Word document 34kb) of the meeting held on 18 July 2006

4. EXTERNAL AUDIT REPORT ON 2005-06 AUDIT AND STATEMENT OF ACCOUNTS

To receive a report from the Strategic Director (Support) (copy attached - Word document 41kb).

Appendix A (copy attached - PDF document 129kb)

5. AUDIT SERVICES QUARTERLY REPORT

To receive a report from the Strategic Director (Support) (copy attached - Word document 41kb).

6. REPORTING OF CRIME

To receive a report from the Strategic Director (Support) (copy attached - Word document 34kb).

7. COMMITTEE WORK PROGRAMME 2006

The Committee is requested to consider the updated work programme for 2006/2007 (copy attached - Word document 25kb).

MINUTES OF THE AUDIT COMMITTEE

18 JULY, 2006

Present:

Councillor M.L. Bouquet (Chairman)

Mrs. M. Hyams

E. O'Hara

C.V. Strong

Officers

Deanna Harris – Head of Audit Services

Nighat Sheikh - Auditor

Trevor Baker – Senior Committee Manager

226/06 MINUTES

RESOLVED that the minutes of the meeting held on 23 May 2006 be approved as a correct record.

227/06 AUDIT SERVICES QUARTERLY REPORT

The Head of Audit Services presented the report, which gave an overview of the work undertaken by the Audit Services team during the period April – June 2006, and responded to questions from members.

She highlighted work of particular interest undertaken by Audit Services including: -

- Main financial systems
The Audit recommendations relating to: Council Tax, NNDR, Payroll, Accounting systems, Loans and Investments, Payments/Creditors, Debtors, Housing Benefit, Cash and Bank.

She commented that the findings of current checks into the validity of Single Person Discount applications relating to Council Tax would be reported to the next meeting of the Committee.

In response to a question from a Member on a payroll issue, the Head of Audit Services confirmed that if the matter had not been satisfactorily resolved by the next meeting of this Committee, the Head of Human Resources would be asked to attend and report to that meeting.

In response to a question from a Member on the subject of proof of qualifications, the Head of Audit Services advised that there was a case where proof was outstanding and this had now been referred to the Chief Executive. The Committee requested an update on the outcome at the next meeting.

- Use of Resources Assessment
A draft improvement plan was being prepared by the Heads of Audit and Financial Services.
- Risk Management
The Corporate Risk register had been redrafted. Further work on corporate risk management had been covered in a separate report on the Audit Committee agenda.
- Business Improvement Plan
Audit Services would be involved on the programme sponsors board which would initially cover Planning, Financial Services and Environment/Direct Services. Audit Services were well placed because of their wide knowledge of the authority's systems, to advise on risks and controls, and efficiency related issues.

The Head of Audit Services detailed some other areas of Audit work including

- IT Security

An improvement Plan had been prepared and the Head of IT would report progress with the implementation of recommendations to the next meeting of the Committee.

- Partnering

The Head of Audit Services provided details of discussions taking place regarding the development of further partnership working with another Surrey district.

- High Hedge Legislation

The Head of Audit Services outlined a complaint which had been investigated by Audit services regarding the Council's charges for High Hedge Legislation and had now been referred by the member of public to the Local Government Ombudsman.

Following discussion by the Committee she agreed to update at the next meeting. It was agreed that an article should be prepared for the Borough Bulletin to clarify the Council's involvement in such disputes.

RESOLVED

- 1) That the contents of the Audit Services' Quarterly Report for April – June 2006 be noted
- 2) That if the payroll issue has not been satisfactorily resolved, the Head of Human Resources be asked to report to the next meeting
- 3) That the Head of Audit Services report back on the outcome of the outstanding proof of qualification case at the next meeting.
- 4) That an article for the Borough Bulletin on High Hedges Legislation should be prepared.

228/06 CORPORATE RISK MANAGEMENT

The Head of Audit Services reported that the Council's Risk Management Policy / Strategy had been approved by the Executive in 2002. The general approach to risk management had been developed in conjunction with Baker Tilly, the Council's external auditor.

The Audit Committee was responsible for considering the effectiveness of the authority's risk management arrangements.

The Corporate Risk Register had been redrafted by the Corporate Risk Management Group and MAT. She highlighted several risks and actions to be taken during the year as examples to illustrate how the Corporate Risk Register should be used including:

- Risk of poor budgetary control
- Risk of disaster in borough
- Risk of failure of projects due to poor project management

She then outlined External Audit's findings and recommendations in their Use of Resources Assessment relating to risk management and summarised the proposals to address their recommendations.

Members expressed concerned that the Council did not have a policy to refer all crimes or suspected crimes against the Council to the police.

RESOLVED

1. that the contents of the Corporate Risk Register, be noted and approved; and
2. that a report on a policy for notifying the police of all crime and suspected crime against the Council be presented to the next meeting of this Committee.

229/06 ANTI-FRAUD AND CORRUPTION POLICY

The Head of Audit Services presented the Council's Anti Fraud and Corruption Policy which was subject to review as part of its work programme for the Audit Committee. A review of the Council's Confidential (Whistle-blowing) Code was programmed for January 2007.

It was pointed out the policy was owned by the Council and that any recommendations for amendment should be made to the Executive.

She explained that the document formed part of the Council's overall Corporate Governance arrangements and was intended to assist in reducing the risk of fraud and corruption. It referred to various aspects of external scrutiny but acknowledged the need for the Council to have it's own strategy. The key elements of the Council's strategy to combat Fraud and Corruption were: an open and honest culture, adequate preventative measures, systems for detection and investigation and understanding and awareness within the Council and the adoption of a "whistle blowing" policy.

Members expressed concern that the reporting of crimes/suspected crimes against the Council should not be left to the discretion of Officers but reported directly to the Police.

RESOLVED that the Executive be informed that this Committee notes and approves the Anti-Fraud and Corruption Policy, subject to the removal of the words "if appropriate" in the second sentence of paragraph 15 of the strategy, "15. Disciplinary action will be taken as necessary and the police informed/involved if appropriate,"

230/06 COMMITTEE WORK PROGRAMME 2006

The Committee considered its Work Programme and revisions arising from this meeting.

RESOLVED that the revised Work Programme for 2006/7 as submitted be approved.

231/06 EXCLUSION OF PRESS AND PUBLIC

RESOLVED that under section 100a(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the paragraph of part 1 of schedule 12a of the act [as amended] and as indicated below.

232/06 AUDIT SERVICES QUARTERLY REPORT SPECIAL INVESTIGATIONS FOR THE PERIOD APRIL – JUNE 2006

(Paragraph 7 - Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.)

The Committee considered an exempt report on investigations undertaken by Audit Services during the period April - June 2006.

RESOLVED that the report of Audit Services on Special Investigations be noted.

External Audit Report on 2005-06 Audit and Statement of Accounts

Audit Committee 17 October

Recommendation Required

Report of the Strategic Director (Support)

Executive Summary

Purpose of Report

To inform Members of the outcome of the External Auditor's 2005-06 audit.

Key Issues

- External Audit of Statement of Accounts has been concluded.
- The auditors conclude that the financial statements present fairly the financial position of the Council as at 31 March 2006.
- The auditors have issued an unqualified opinion on the financial statements.
- The Statement on Internal Control produced by the Council complies with CIPFA guidance
- Auditors conclude that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Options

There are none

Financial Implications

There are none

Corporate Priority

All 4 Priorities

Officer Recommendations

The Audit Committee is asked to note the External Auditor's 2005/6 audit report ([Appendix A](#)).

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

Portfolio Holder: Councillor Ed Searancke

MAIN REPORT

1. BACKGROUND

- 1.1 External auditors appointed by the Audit Commission, Baker Tilly, are required, in accordance with international auditing standards, to annually report to the Council on:
- Their audit opinion of the Statement of Accounts;
 - Any uncorrected items in the Statement of Accounts;
 - Qualitative aspects of the Council's accounting practices and financial reporting
 - Their annual Value for Money conclusion

They also report annually on their audit of the Council's accounting and internal control systems.

- 1.2 Additionally Baker Tilly summarise the outcome of the 2005-06 Use of Resources assessment which has already been previously reported.
- 1.3 Attached as [Appendix A](#) is the Baker Tilly report on the 2005/06 audit.

2. KEY ISSUES

- 2.1 Baker Tilly state (pages 5 and 6 of the draft audit report) that they are satisfied that the Council has properly dealt with changes in the accounting framework which impact upon its financial reporting requirements.
- 2.2 Baker Tilly state (page 6) that the Council has prepared the financial statements in accordance with the relevant accounting codes of practice. Baker Tilly are satisfied that the Statement on Internal Control complies with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and is consistent with the annual review of effectiveness carried out by Internal Audit.
- 2.3 Baker Tilly report that Internal Audit testing met the external auditor requirements and external testing was only required to ensure sample items tested covered the whole financial year. Baker Tilly comment that Internal Audit's work was of a good quality.
- 2.4 Baker Tilly conclude that the Council's 2005/06 BVPP complied with governing legislation in all significant effects. Baker Tilly will shortly report on their 2006/07 BVPP and 2005/06 outturn PIs.
- 2.5 Baker Tilly conclude that in all significant respects the Council have made proper arrangements to secure economy, efficiency and effectiveness.

3. PROPOSALS

- 3.1 There are none.

4. FINANCIAL IMPLICATIONS

- 4.1 There are none.

5. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

- 5.1 There are none

6. RISK IMPLICATIONS

6.1 There are none

Report Author: Deanna Harris Head of Audit Services (01784) 446207

Background Papers:
There are none

Appendix A



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Status of our reports to the Council

Our reports are prepared in the context of the *Statement of Responsibilities of Auditors and Audited Bodies* issued by the Audit Commission. Reports are prepared by appointed auditors and relationship managers, and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

1. Introduction

Background

This report summarises the conclusions and significant issues arising from the work that we have carried in relation to the 2005/06 audit. It was presented to Members of the Executive on 12 September 2006 in order that the Council and we could fulfil our statutory obligations for final approval and certification of the 2005/06 financial statements by 30 September. The audit was conducted in accordance with the Audit Commission's Code of Audit Practice ("the Code") and the agreed audit plan. Our responsibilities and those of the Council itself are described in more detail in **Appendix A**.

Purpose of this report

In this report we set out our findings from the 2005/06 audit, namely:

- Our proposed audit opinion on the 2005/06 statement of accounts
- Our views about the qualitative aspects of the Council's accounting practices and financial reporting
- The results of our interim audit of accounting and internal control systems, including details of any specific weaknesses
- Details of any uncorrected items in the statement of accounts
- Our proposed Value for Money conclusion for 2005/06.

Within this report we have also summarised the results of our audit work previously reported to the Council, specifically:

- The Council's 2006 Use of Resources assessment
- The results of our audit on the 2005/06 Best Value Performance Plan and 2004/05 Best Value Performance Indicators.

Scope of the work

The audit plan which we agreed with the Council described the following work which we would do to meet our audit responsibilities:

Code responsibility	Work undertaken:
<p>We are required to audit the financial statements and to give an opinion as to whether:</p> <ul style="list-style-type: none"> • they present fairly the financial position of the Council and its income and expenditure for the year ended 31 March 2006; and • whether they have been prepared in accordance with relevant legislation and applicable accounting standards. 	<ul style="list-style-type: none"> • We assessed the adequacy of the Council's key financial systems that support the transactions and balances in the financial statements. We took into account the work of Internal Audit to ensure that duplication of effort was avoided. • We have performed detailed analytical audit procedures on all material elements of income and expenditure within the accounts. • We have tested selected transactions and balances to source documents. • The accounts have been reviewed to ensure compliance with the guidance set out in CIPFA's Statement of Recommended Practice (SORP) in relation to statutory requirements, accounting standards, accounting presentation and disclosure.
<p>We are required to review whether the Statement on Internal Control (SIC) has been presented in accordance with relevant requirements and we are required to report if the statement:</p> <ul style="list-style-type: none"> • does not meet these requirements • is misleading; and/or • is inconsistent with, or incomplete in the light of, other information of which we are aware. 	<ul style="list-style-type: none"> • We reviewed the arrangements that the Council had put in place and the evidence gathered to provide sufficient assurance for the Audit Committee to approve the SIC and for the Chief Executive to authorise the SIC. • We reviewed disclosures made in the 2005/06 Statement on Internal Control to assess whether they are consistent with the results of work reported by Internal Audit and our knowledge of the Council • We ensured that the SIC has been presented in accordance with relevant requirements • We reviewed Council Minutes to identify any inconsistencies

Code responsibility:	Work undertaken:
<p>We are required to review whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources</p>	<ul style="list-style-type: none">• We undertook a review of the Council's arrangements in the areas of financial reporting, financial management, financial standing, internal control and value for money using key lines of enquiry (KLOE) developed by the Audit Commission.• We reviewed the Council's 2005/06 Best Value Performance Plan for compliance with governing legislation in terms of its preparation and publication.• We carried out detailed testing of the systems underpinning the production of the 2004/05 outturn PIs and future years' targets• We undertook work beyond the use of resources phase to inform our conclusion (the VFM conclusion) as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Again this work was informed by specified key lines of enquiry and criteria established by the Audit Commission.

A list of the audit reports issued during the year is shown at **Appendix D** to this report. Our planned audit fee for 2005/06 was £58,585, which was identical to our actual fee for that period; more detail is provided in Section 4 of this document.

2. Audit of the financial statements

Introduction

The International Standard on Auditing 260 (ISA 260 'Communication of audit matters to those charged with governance') provides standards and guidance governing the communication of audit matters between the auditor and those charged with governance of an entity.

Under this standard we are required to consider audit matters of governance interest that arise from our audit of the financial statements and communicate them with those charged with governance. The Council has determined that for audit purposes those charged with governance are the members of the Audit Committee for the 2006/07 year, although this report was first presented to the Executive in order that its content could be considered by Members in advance of the 30 September audit deadline.

Audit opinion

We completed our audit of the Council's financial statements for the year ended 31 March 2006 in early September. We issued an unqualified opinion on the 2005/06 financial statements following receipt of a letter of representation from management and the Council's signing of the financial statements, including the Statement on Internal Control.

New financial reporting requirements

The findings from our audit of the Council's financial statements for the year ended 31 March 2006 are detailed in the following paragraphs. In addition we identified a small number of new audit and disclosure requirements during the planning process, and discussed these with the Council's finance team. For completeness these are noted below:

New guidance on accounting for pension benefits

This relates to changes to LGPS benefits affecting the FRS 17 data, and also clarification around the discount rate to be used in the calculation of pension interest cost.

New guidance on capital accounting

This concerns clarification around 'Adjustment A' in relation to the calculation of the capital financing requirement.

Whole of government accounts

For 2005/06 the Council will need to produce an auditable dry run submission of WGA data for the Treasury. This should draw upon the audited Statement of Accounts for 2005/06. The return is subject to our separate audit and once audited will be submitted to government by us in early October 2006.

Amendments to the Accounts and Audit Regulations

There are a number of minor changes to these regulations; the most significant being the requirement for the SIC, and annual report of internal audit to be considered and approved separately from the accounts.

We are satisfied that the Council has dealt properly with the above changes.

Qualitative aspects of the Council's accounting practices and financial reporting

The Council has prepared its financial statements in accordance with the requirements of the 2005 SORP and the Best Value Accounting Code of Practice. We are also content that the Statement on Internal Control complies with the relevant CIPFA guidance and that it is consistent with our knowledge of the Council and the annual review of effectiveness carried out by Internal Audit.

We received draft accounts of good quality, in accordance with the timetable agreed with the Council. The working papers supporting the accounts were available at the start of the audit and were of good quality too.

The draft financial statements were presented and formally approved at a meeting of the full Council on 22 June 2006, in advance of the 30th June statutory approval deadline for local government bodies.

Letter of representation

In order to obtain sufficient audit evidence for our audit opinion on the financial statements we obtain representations from management on aspects of the accounting records, accounts disclosures and other matters. The representation letter that we requested management and those charged with governance to sign is shown in **Appendix B** to this report.

Mis-statements – adjusted and unadjusted

We found no material issues to amend in the draft statement of accounts. However, a number of other changes were made to the draft accounts to rectify small errors or omissions identified during audit testing. These included:

- Deferred charges were adjusted by £31k to rectify an omitted balance
- The Capital Commitments note was revised to reflect actual capital commitments at year end
- The Creditors note was amended by £7k to bring it into line with the financial records
- The disclosure of Higher Paid Employees was corrected
- Provisions and Contingent Liabilities disclosures were revised to improve clarity and relevance

At the time of writing this report, it has been agreed that all errors will be corrected in the financial statements, and the accounts we certified therefore contained no unadjusted items.

Expected modifications to the Auditor's report

There are no modifications to the audit report on the financial statements for the year ended 31 March 2006. The audit report that was included in the signed financial statements is shown in **Appendix C**.

Material weaknesses in internal control

In order to arrive at an opinion on the Council's accounts we assess whether the key financial systems on which the accounts are based are adequate and are operating as prescribed. These systems generate material transactions and, as such, have a material impact on the Council's annual accounts.

The following financial systems were identified as being material to the audit opinion on the financial statements:

- Main accounting system
- Payroll
- Cash receipting and banking
- Income and debtors
- Purchases and creditors
- Treasury management
- Housing benefits
- Council tax income

- Business rates income.

For each key system we reviewed the work undertaken by Internal Audit and where necessary reperformed testing to enable us to rely on it. We found no significant weaknesses in the financial systems and were able to conclude that during the period in question the high level system controls operated as expected. We were therefore able to place reliance on the systems for the purpose of our audit, and reduce the amount of testing required during our final audit visit.

We found that, in line with the managed audit working protocol, the testing Internal Audit had undertaken during the year satisfied our requirements and extra testing was only required to ensure sample items tested covered the full financial year. Internal Audit's work was again of a good quality.

Risk of material misstatement from fraud or other irregularity

Under the International Standards on Auditing 240 and 250 we are required to assess the risk of material misstatement arising from fraud or other irregularity. We have assessed the risk of material misstatement due to fraud and have concluded that the risk of material misstatement from this source is low. In addition, our work on legality indicated that the Council has adequate management arrangements to safeguard legality, and we therefore considered the risk of misstatement from this source to be low.

Other significant matters

There are also no other matters of governance interest that we wish to draw to your attention. In particular, we can confirm that we have received no questions or objections in respect of items in your accounts. Additionally, we have not identified any issues that might require us to report in the public interest or exercise any other special powers.

3. Work in relation to Use of Resources

Use of Resources

Our work on the Use of Resources comprises our assessments on the themes of Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money. This work was carried out in the period January/February 2006 and a detailed report containing our findings and conclusions was presented to officers in March 2006. Our findings from this work are summarised below.

Theme	Key Line of Enquiry	Score	Key Improvement Opportunities
Financial Reporting	1.1 The Council produces annual accounts in accordance with statutory requirements etc.	3	<ul style="list-style-type: none"> -The Council should consider how it might improve further the efficiency of the external audit of the accounts. In particular, to provide comprehensive variance analysis. -The Council should consider publishing summary financial information, either as part of an annual report or other publication, which is designed to be informative to members of the public.
	1.2 The Council promotes external accountability.	2	
Financial Management	2.1 The Council's Medium Term Financial Strategy, budgets and capital strategy are soundly based and designed to deliver its strategic priorities.	3	<ul style="list-style-type: none"> - The Council's medium term financial projections should model key balance sheet areas, in addition to reserve levels, and resource requirements over a minimum of three years. - Members and senior officers should consider opportunities for further improving financial management, e.g. <ul style="list-style-type: none"> • The production of accrued financial monitoring reports at appropriate key points in the year, including significant balances as well as revenue items • Utilising a "traffic light" system or similar to identify and provide a focused report on key variances to the Executive • Systematic testing and consultation to ensure that report outputs from financial systems are accurate, reliable, clear, convenient and readily understood by users. - The Council should establish robust performance measures against which to measure how its assets as a whole contribute to the achievement of corporate and service objectives and integrate this with relevant organisational financial information.
	2.2 The Council manages performance against budgets.	3	
	2.3 The Council manages its asset base.	3	

Theme	Key Line of Enquiry	Score	Key Improvement Opportunities
Financial Standing	3.1 The Council manages its spending within the available resources.	3	- The Council should set targets for, and monitor the effectiveness and cost-effectiveness of income collection, debt recovery actions, and the cost of not recovering debt promptly.
Internal Control	4.1 The Council manages its significant business risks.	3	- The Council should submit dedicated quarterly reports to Members on corporate risk management - The Audit Committee should look to be able to demonstrate: <ul style="list-style-type: none"> • Effective challenge • Independent assurance on the Council's risk and performance management frameworks and on the internal control environment • Over time, the impact of its work.
	4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	
	4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	
Value for Money	5.1 Does the Council currently achieve good value for money?	3	- The Council may wish to review the extent to which an embedded culture of challenging VFM is transparent throughout the organisation. This needs to include more visible and regular involvement from Members - VFM challenge process needs to be linked with more widespread benchmarking aimed at delivering service performance - The Council should continue to address any areas of unintentionally high spend - The outputs and impact of the procurement strategy need to be more clearly demonstrable - The Council will need to make further use of joint procurement with its partners to maximise efficiency opportunities.
	5.2 Does the Council manage and improve value for money?	3	

Conclusion

Overall, the Council scored 3 (on a scale of 1 to 4, where 4 is excellent) for its Use of Resources assessment, indicating that it is performing well and consistently above minimum requirements. There are some areas in which we identified improvement opportunities and these have been accepted by officers and form the basis of an action plan. We will assist officers in addressing these improvement areas and we will report back to the Audit Committee during 2006/07 audit on progress made.

Best Value Performance Plan (BVPP) 2005/06

We concluded that the Council's 2005/06 BVPP, published by the end of June 2005 deadline, complied with the governing legislation in all significant respects. We issued our statutory report on the BVPP audit on 24 October 2005.

We recommended that the Council should address the deficiencies in the systems to support the production of BVPIs 11a (percentage of top earners that are women), 78b (speed of benefit claim processing) and 82b (percentage of waste sent for composting), which required significant amendment as a result of the audit. In addition, we recommended that the Council should publish on its web site other best value performance indicators to which minor amendments had been agreed during the audit.

We will shortly start our audit of the 2006/07 BVPP and 2005/06 outturn PIs, and will report back to Members once this work is complete.

Value for money (VfM) conclusion

The VfM conclusion is an overall assessment drawing on the Use of Resources KLOEs, our work on the BVPIs, recent inspection activity and the Direction of Travel Assessment carried out by Audit Commission in early 2006. Having made the assessment against the criteria we have concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2006. Our opinion is shown in the Auditor's Report, which is reproduced in **Appendix C**.

4. Audit fee information

The table sets out a comparison between our planned fees as shown in our 2005/2006 audit plan and the 2005/06 outturn. We can confirm that we undertook no work at the Council that did not relate to our *Code* objectives.

<i>Code area</i>	2005/06 planned fees £	2005/06 outturn fees £
Audit of the Accounts	32,500	32,500
BVPP/BVPIs	11,000	11,000
Use of Resources/ Value for Money Conclusion	14,500	14,500
Contribution to the Audit Commission	585	585
Total	£58,585	£58,585

As shown above, our actual fees were in line with our planned fees for 2005/06.

Appendix A

Responsibilities of the external auditors and the Council

Introduction to responsibilities

Those who are responsible for the conduct of public business and spending public money are accountable for ensuring both that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this accountability, public bodies and their management (both members and officers) are responsible for putting in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their annual published Statement on Internal Control.

The following paragraphs summarise the responsibilities of auditors and of audited bodies in relation to the responsibilities of auditors described in the Audit Commission's *Code of Audit Practice*.

Auditing the financial statements

The financial statements, which comprise the published accounts of the Council, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the Council to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
- maintain proper accounting records; and
- prepare financial statements that present fairly the financial position of the Council and its expenditure and income.

The Council is also responsible for preparing and publishing with its financial statements a statement on internal control.

We audit the financial statements and give our opinion, including:

- whether they present fairly the financial position of the Council and its expenditure and income for the year in question; and

- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

In carrying out their audit of the financial statements, we have regard to the concept of materiality and subject to this, we provide reasonable assurance that the financial statements:

- are free from material misstatement, whether caused by fraud or other irregularity or error;
- comply with statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

We examine selected transactions and balances on a test basis and assess the significant estimates and judgments made by the Council in preparing the statements.

We also evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving their opinion on the financial statements. Where we identify any weaknesses in such systems and controls, we draw them to the attention of the Council, but cannot be expected to identify all weaknesses that may exist.

We review whether the statement on internal control has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which we are aware. In doing so we take into account the knowledge of the Council gained through our work in relation to the audit of the financial statements and through our work in relation to the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources. We are not required to consider whether the statement on internal control covers all risks and controls, nor are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or risk and control procedures.

Responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

It is the responsibility of the Council to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives;
- determining policy and making decisions;
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community;
- ensuring compliance with established policies, procedures, laws and regulations;

- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- ensuring compliance with the general duty of best value, where applicable;
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body;
- monitoring and reviewing performance, including arrangements to ensure data quality; and
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The Council is responsible for reporting on these arrangements as part of its annual Statement on Internal Control.

We have a responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility we should review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements. We also have a responsibility to consider, and report on, the Council's compliance with statutory requirements in respect of the preparation and publication of its best value performance plan.

We are responsible for reporting annually our conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention that prevent us from concluding that the Council has put in place proper arrangements. However, we are not required to consider whether aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning our audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, we consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the Council's statutory functions and objectives, which apply to the Council and are relevant to our responsibilities under the *Code*, and the arrangements it has put in place to manage these risks. Our assessment of what is significant is a matter of professional judgment and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question.

When assessing risk we consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type;
- other risks that apply specifically to the Council;
- the Council's own assessment of the risks it faces; and

- the arrangements put in place by the Council to manage and address its risks.

In assessing risks we have regard to:

- evidence gained from previous audit work, including the response of the Council to previous audit work;
- the results of assessments of performance carried out by the Commission;
- the work of other statutory inspectorates; and
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where we rely on the reports of statutory inspectorates as evidence relevant to the Council's corporate performance management and financial management arrangements, the conclusions and judgments in such reports remain the responsibility of the relevant inspectorate or review Council.

In reviewing the Council's arrangements for its use of resources, it is not part of our functions to question the merits of the policies of the Council, but we may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the Council to decide whether and how to implement any recommendations made by us and, in making any recommendations; we should avoid any perception that they have any role in the decision-making arrangements of the Council.

While we may review the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, we cannot be relied on to have identified every weakness or every opportunity for improvement. The Council should consider our conclusions and recommendations in their broader operational or other relevant context.

We are not required to report to you on the accuracy of performance information that you publish. Our work is limited to a review of the systems put in place by the Council to collect, record and publish the information, in accordance with guidance issued by the Audit Commission. Nor are we required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Council.

Audit work in relation to the Council's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it our responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although we are alert to the possibility and will act promptly if grounds for suspicion come to our notice.

Appendix B

Letter of Representation

[TYPED ON COUNCIL'S LETTERHEAD]

Baker Tilly
Lancaster House
7 Elmfield Road
Bromley
BR1 1LT

Date: 19 September 2006

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31ST MARCH 2006

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officers of the Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2006.

1. We acknowledge as Members and as the Strategic Director (Support) our responsibility for the financial statements. All the accounting records have been made available to you for the purpose of your audit and all transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information and explanations, including minutes of all Council and Executive meetings held between the beginning of the accounting period and the date of this letter, have been made available to you.
2. We confirm that:
 - a. We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud;
 - b. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - c. We have disclosed to you our knowledge of fraud and suspected fraud affecting the Council involving:
 - i. Management;
 - ii. Employees who have significant roles in internal control; and
 - iii. Others where the fraud could have a material effect on the financial statements; and

- d. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.
3. We confirm that full disclosure is made in the financial statements of:
 - a. transactions and balances with related parties including:
 - i. the names of the transacting parties;
 - ii. a description of the relationship between the parties;
 - iii. a description of the transactions;
 - iv. the amounts involved (even if nil);
 - v. any other elements of the transactions necessary for an understanding of the financial statements;
 - vi. the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - vii. amounts written off in the period in respect of debts due to or from related parties.
 - b. outstanding capital commitments contracted for at the balance sheet date.
 - c. all contingent liabilities including details of pending litigation and material claims against the Council.
 - d. all guarantees or warranties or other financial commitments
 4. We have disclosed all events of which we are aware which involve possible non-compliance with those laws and regulations which provide a legal framework within which the Council conducts its business and which are central to its ability to conduct that business. We have also notified you of the actual or contingent consequences which may arise from such non-compliance.
 5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 6. There have been no events (other than those already disclosed in the financial statements) since the balance sheet date, which necessitate revision of the figures in the financial statements or inclusion of a note thereto. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
 7. We are satisfied that the information underlying the valuation of the pension scheme liabilities are consistent with our knowledge of the Council and that the information provided to the scheme actuary to calculate the present value of scheme liabilities is complete and accurate.
 8. We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the Executive at its meeting on 12 September 2006.

Yours faithfully

Signed on behalf of Spelthorne Borough Council

Mrs S Sturgeon
Strategic Director (Support)

Councillor G Ceaser
Leader of the Council

Appendix C

Independent Auditor's report to the Members of Spelthorne Borough Council

Opinion on the financial statements

We have audited the financial statements of Spelthorne Borough Council for the year ended 31st March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Spelthorne Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Council Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Council Accounting in the United Kingdom 2005.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003', published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword and the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Council Accounting in the United Kingdom 2005, the financial position of the Council as at 31st March 2006 and its income and expenditure for the year then ended.

*Baker Tilly
Lancaster House
7 Elmfield Road
Bromley
BR1 1LT*

21 September 2006

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The

Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Spelthorne Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2005/06 on 24 October 2005. We recommended that the plan should be amended for it to be in accordance with statutory requirements.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

*Baker Tilly
Lancaster House
7 Elmfield Road
Bromley
BR1 1LT*

21 September 2006

Appendix D

We issued the following reports relating to our 2005/06 audit:

Subject	Addressee	Date of issue
Audit & inspection plan	Executive	14 April 2005
BVPP audit report	Performance Review Committee	6 December 2005
Use of Resources – detailed findings	Officers	22 March 2006
Use of Resources – high level results	Executive	25 April 2006
Report on the 2005/06 audit	Executive	12 September 2006
Report to the Audit Committee on the 2005/06 audit	Audit Committee	17 October 2006

AUDIT SERVICES QUARTERLY REPORT

Audit Committee: 17 October 2006

Report of the Strategic Director (Support)

Executive Summary

How do the contents of this report improve the quality of life of Borough Residents?

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.

Purpose of Report

The report provides details of work undertaken by Audit Services during the period July - September 2006.

Key Issues

Internal audit partnership with Surrey Heath
Parking Services Audit
Business Improvement Programme
Theft from Council Offices
Risk Management

Financial Implications

No financial implications.

Corporate Priority

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

Officer Recommendations

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

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

Portfolio Holder: Ed Searancke

MAIN 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. KEY ISSUES

- 2.1 **Internal Audit partnership with Surrey Heath Borough Council.** With effect from 1 October 2006, Spelthorne's Head of Audit Services will be managing Surrey Heath's audit team under a partnership arrangement between both authorities. Benefits will include more efficient use of resources, shared expertise, greater flexibility and financial savings.
- 2.2 **Parking Services Audit** – Risk assessments were updated and the following recommendations made to improve control:
- The business continuity plan and all procedure notes should be updated
 - Long-standing and ongoing discrepancies in income banked by Securicor should be resolved. Legal Services are pursuing the matter with Securicor and an update will be provided at the committee meeting.
 - All stages in the process for recovery of parking fine income should be implemented including referral to bailiffs.
 - The policy and fees and charges for dispensations should be formalised.
 - Corporate systems for collecting income should be adhered to at all times.
 - Improved team/service performance management.
- Further advice has been given regarding the tendering process for income collection services, Internet use and IT security issues.
- 2.3 **Risk Management** – Audit re-drafted the Corporate Risk Register and assisted a number of managers with the review of Service Risk Registers. Audit Services are currently implementing a performance management system to enable managers and members to monitor outstanding recommendations/actions relating to high/medium risks. Risk management training for Members is currently being organised.
- 2.4 **Business Improvement Programme** – The Head of Audit Services represents the Support Directorate on the programme sponsors board. Audit attended and contributed to Planning workshops/meetings. Audit will also be involved in advising project teams on subsequent reviews of Financial Services and Environment /Direct Services.
- 2.5 **Theft from Council Offices** – Following the theft of a purse and subsequent fraudulent use of credit/debit cards, Audit Services were asked to investigate and liaise with police. Audit subsequently reviewed risks and controls associated with use of corporate credit cards.

2.6 Other Audit Work

- 2.6.1 **Work undertaken on behalf of external audit** – Testing commenced on main accounting and creditor systems.
- 2.6.2 **Community Services (Independent Living)** – Followed up previously issued risk assessment for delivery of reconfigured service and provided advice on general control issues.
- 2.6.3 **Planning fees income** – Reviewed system and recommended changes to improve the efficiency of on-line payment systems.
- 2.6.4 **Documents held in off-site storage** - Reviewed procedures for recording/ disposal of documents held in storage.
- 2.6.5 **Banking discrepancy** - Officers and the bank concerned are currently investigating a discrepancy between Council /bank records of banking. Audit reviewed procedures, test checked documentation and advised management on additional controls to reduce risk of further discrepancies.
- 2.6.6 **Code of Corporate Governance** – Reviewed Code with Head of Corporate Governance. Further work will be required when new CIPFA/SOLACE guidance is formally issued.
- 2.6.7 **Community Services** (Includes Leisure Centres and £2.7m refurbishment works, Active Lifestyle, Youth Services and Events, Sports Development, Arts and Heritage, Play provision (play schemes) and play development, Parks and Open Spaces, and Leisure development Grants) - A risk assessment has been completed and testing is now in progress.
- 2.6.8 **National Fraud Initiative** – Every two years the Audit Commission undertakes a national data matching exercise-comparing information relating to payroll, creditors and housing benefit claims. Audit Services has assisted in the co-ordination of this work and advised on the provision of additional data relating to bank account information held on the payroll system.
- 2.6.9 **Town Centre** – Advice given regarding the control of revenue from Phase 3 Elmsleigh development.
- 2.6.10 **Honesty Box** – Audit Services concluded that the current system for collecting income from staff for personal use of telephones, photocopiers, Internet and emails requires improvement and MAT are currently considering a range of options.
- 2.6.11 **Reporting of crime against the Council** – Proposals have been made for improving the current guidelines to staff based on police advice. A report from the Attorney General regarding proposed government policy on fraud has also been reviewed. See separate Audit Committee report.
- 2.6.12 **Draft Gambling Act Policy** – Potential risks were identified and discussed with management.
- 2.6.13 **Hackney Carriage Licensing** – Income testing has commenced and will be completed in October.
- 2.6.14 **Corporate Policies and Procedures** – Audit recommended a system to periodically remind staff of policies and procedures for example those relating to

Anti Fraud and Corruption, Whistle-blowing, Gifts and Hospitality, Health and Safety, Financial Regulations etc.

- 2.6.15 **Project Management** – Audit commented on the need to improve project management arrangements particularly the need to consider the overall capacity to deliver major projects and compliance with basic project management principles. This has been identified in the Corporate Risk Register and Management Team are due consider a report from the Policy Officer in October.
- 2.6.16 **Contact Management** – Audit identified a variety of views and conflicting priorities for the implementation plans for contact management. Management Team are due to consider a report from the Policy Officer in October.
- 2.6.17 **Housing Options and Environmental Health / Building Control** – Work in progress. Interim advice given on health and safety issues.
- 2.6.18 **Internet** - Advice has been given regarding monitoring of Internet use.
- 2.6.19 **Business Continuity Plans** – Audit previously reported on the need to update plans and researched work being undertaken in other authorities. It has been subsequently agreed that the Head of Environment Services will be responsible for co-ordinating new Emergency Plans and consultants have been appointed to assist.
- 2.6.20 **Sick/Flexi Leave** – Audit identified a significant number of discrepancies between sick absences recorded in flexi / Human Resource systems. This could impact on the accuracy of sickness reporting and management, employee records and payroll.
- 2.6.21 **Advice** - Advice has been requested from all directorates on a variety of risk and control issues including: issuing of contracts in Environment Services; consultancy contract for Planning; compliance with Contract Standing Orders; Financial Regulations; Corporate Procurement issues; CAPS; Integra; acquisition of new Housing system; partnering in revenue services; e tendering; Stanwell project; password security; Use of Resources; disciplinary issues; Single Person discounts on Council Tax etc.
- 2.6.22 **Miscellaneous** – staff/team/departmental/manager’s meetings, training, new audit staff induction/training/support, supervision of work experience student, Audit Committee reports, liaison with Surrey Audit Group, budget monitoring etc.
- 2.6.23 As an initiative to improve audit understanding in complex areas, auditors have been shadowing officers in housing benefit fraud and Steria.

3. OPTIONS ANALYSIS

There are none

4. PROPOSALS

There are none

5. BENEFITS AND SUSTAINABILITY

Not applicable.

6. FINANCIAL IMPLICATIONS

There are none

7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

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

8. RISKS AND HOW THEY WILL BE MITIGATED

8.1 Significant risks associated with individual audits are reported in this report. Implementation of audit recommendations will reduce risks for the authority. All audit work is supported by detailed risk assessment.

Report Author: Deanna Harris (Head of Audit Services) – 01784 446207

**Background Papers:
There are none**

REPORTING OF CRIME

Audit Committee: 17 October 2006

Report of the Strategic Director (Support)

EXECUTIVE SUMMARY

How does the contents of this report improve the quality of life of Borough Residents

Clarification of crime reporting process may help to make the Borough safer, cleaner and could prevent the misuse of funds/ reduce costs.

Purpose of Report

The Audit Committee has requested a Council Policy that requires all crimes/suspected crimes to be reported to the police. This report addresses the issue and the need for general guidance to staff regarding the reporting of crimes.

Key Issues

The Anti Fraud and Corruption, Housing Benefit Prosecution and Money Laundering Policies relate to frauds/suspected frauds and various other policies deal with breaches of legislation in service areas such as food safety, health and safety, Planning and Licensing legislation. The Council currently has no written policy/guidance regarding the reporting of other crimes to the police.

Financial Implications

Officer time to compile policy and guidance.

Corporate Priority

All 4.

Officer Recommendations

The Audit Committee is asked to endorse officer proposals.

Contact: Deanna Harris, Head of Audit Services 01784 446207

Portfolio Holder: Councillor Ed Searancke

MAIN REPORT

1. BACKGROUND

- 1.1 The Audit Committee has requested a Council Policy that requires all crimes/suspected crimes to be reported to the police.
- 1.2 Crimes against the Council could include fraud, corruption, theft, damage to property, robbery, violence against person, blackmail, contravention of licensing/planning/health and safety/public health legislation.
- 1.3 A number of internal policies already exist for example Anti Fraud and Corruption Policy, Housing Benefit Prosecution Policy, Money Laundering Policy, and various other policies exist to deal with service related issues such as breaches in food safety, health and safety, Planning and Licensing legislation.
- 1.4 In practice, officers throughout the authority regularly report crimes against the Council to the police. There may have been several exceptions where the matter/loss was considered to be trivial. In all cases where a loss/cost has occurred, it is necessary to obtain a crime reference number for insurance purposes.
- 1.5 The police provide useful advice on their websites relating to the reporting of crime. It refers to reporting processes/contacts for reporting child abuse, computer and Internet crime, domestic violence, high value fraud, other fraud, Internet fraud, phone scams, homophobic crime, racial crime, rape and sexual assault and terrorism. The police also have an on-line system for reporting minor crimes and a graffiti hotline. This information could be placed on the Council's Intranet for use by officers.
- 1.6 The Government has recently published a 'Fraud Review' in which fraud is considered to be second only to class A drug trafficking as a source of harm from crime and consequently, many recommendations have been made for improving the way in which frauds are reported, investigated and individuals prosecuted. This will involve new legislation, restructuring and re-focussing of police resources. Further implications for the Council will be reported in due course.

2. KEY ISSUES

- 2.1 The Council has policies for dealing with certain crimes but could strengthen general policy and guidance to officers through reference to police advice.

3. OPTIONS ANALYSIS

- (a) It is proposed that general policy and guidance be placed on the Intranet for all staff linking into specific advice from police and internal reporting requirements e.g. for insurance purposes and monitoring of police response/action.
- (b) There are no options.

4. PROPOSALS

- 4.1 It is proposed that general policy and guidance be placed on the Intranet for all staff linking into specific advice from police and internal reporting requirements eg for insurance purposes and monitoring of police response/action.

5. BENEFITS AND SUSTAINABILITY

- 5.1 Clarification of crime reporting process may help to make the Borough safer, cleaner and could prevent the misuse of funds/ reduce costs. Reduction in risks is referred to in 8 below. There are no ongoing costs.

6. FINANCIAL IMPLICATIONS

- 6.1 Officer time to compile policy and guidance.

7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

- 7.1 There are no implications

8. RISKS AND HOW THEY WILL BE MITIGATED

- 8.1 The risks associated with failing to report crimes include:
- (a) Council's position regarding insurance claims/recovery through civil action could be weakened.
 - (b) Failure to address crimes against the authority could also result in lack of consideration of preventative action/measures to reduce risk of further crime/loss.
 - (c) The sum of small, apparently trivial crimes, could be substantial and overall impact overlooked.
 - (d) The police have incomplete statistics, patterns of crime and are given no opportunity to investigate.
 - (e) Risk of crime should be recorded in service risk registers together with mitigating controls.

9. TIMETABLE FOR IMPLEMENTATION

Guidelines/policy will be implemented immediately subject to Executive approval.

Report Author: Deanna Harris, Head of Audit Services 01784 446207

**Background Papers:
There are none.**

AUDIT COMMITTEE**DRAFT WORK PROGRAMME 2006 - 2007**

Matters to be considered	Lead Officers	Activity
16 January 2007		
Quarterly Audit Report	Head of Audit Services	Report for period October – December 2006
Risk Management	Head of Audit Services	
Confidential (Whistleblowing) Policy	Head of Audit Services	Review
May 2007		
Annual Report on Internal Audit	Head of Audit Services	Report for the financial year April 2006 – March 2007
Draft Internal Audit Plan	Head of Audit Services	Plan for year April 2007– March 2008
Risk Management	Head of Audit Services	
External Audit Plan	External Audit	Plan for year April 2007 – March 2008
Statement on Internal Control	Head of Financial Services	Approval

External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Work programme or appear on the agenda as appropriate.

Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they haven't implemented the recommendations of the Head of Audit Services. It is not possible to predict these circumstances but they will be dealt with as and when they arise either by incorporating into the Work Programme or appearing on the agenda as appropriate