

Audit Committee - 18 July 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 of the meeting held on 23 May 2006

4. AUDIT SERVICES QUARTERLY REPORT

To receive a report from the Strategic Director (Support) (copy attached).

5. CORPORATE RISK MANAGEMENT

To receive a report from the Strategic Director (Support) (copy attached).
Appendix 1

6. ANTI-FRAUD AND CORRUPTION POLICY

To receive a report from the Strategic Director (Support) (copy attached).
Appendix 1

7. COMMITTEE WORK PROGRAMME 2006

The Committee is requested to consider the updated work programme for 2006/2007 (copy attached).

8. EXEMPT BUSINESS

To move the exclusion of the Press/Public for the following item in view of the likely disclosure of exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972.

9. EXEMPT INFORMATION

REPORT OF STRATEGIC DIRECTOR (SUPPORT) (Gold Paper)

To consider the exempt report of the Strategic Director (Support) on the following item:

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.)

MINUTES OF THE AUDIT COMMITTEE

23RD MAY, 2006

Present:

Councillor M.L. Bouquet (Chairman)

Councillor J.D. Pinkerton (Vice-Chairman)

E. O'Hara
C.V. Strong

Mrs. M. Hyams

S.B.S. Lorch

Apologies: Councillor K. Chouhan

Officers:

Terry Collier – Head of Financial Services
Deanna Harris – Head of Audit Services
Nighat Sheikh - Auditor
Kathryn Thomas – Committee Manager

Others

Henry Arthurs - Baker Tilly

152/06 THE RELATIONSHIP BETWEEN EXTERNAL AUDIT AND THE AUDIT COMMITTEE

The Committee received a presentation from Henry Arthurs, a Partner with the Council's external auditors, Baker Tilly. Mr Arthurs provided an introduction to his Firm, their appointment by the Audit Commission, and the work undertaken for Spelthorne Borough Council. He explained that the role of external auditors was to provide an opinion on the financial statements, review performance and give an opinion on the use of resources, and report to the public. He commented that the relationship with the Audit Committee was a two-way learning process as such committees were new in local government. In terms of delivering good governance, Mr Arthurs considered that Audit Committees were a positive step, and he was pleased that one had been established by this Council. He stated that it was important for both internal and external auditors to support the Committee, as in other sectors, Audit Committees had been useful drivers for improvement. He suggested that the Committee might wish to evaluate its progress and the performance of external audit at its meetings annually. He advised that Audit Committee Members should remain removed from the role of managers, as this would allow the committee to develop a clear overview of internal controls and corporate risk management. He considered that important roles for the Audit

Committee included ensuring that statements in the Statement on Internal control were those that the committee believed to be key for the council, and to provide assurance that performance was robust. The Committee would be entitled to commission work to ensure that weaknesses were addressed. Mr Arthurs outlined the support which external audit provided for the Audit Committee, which included audits of financial statements, annual reviews of governance arrangements, and evaluation of non-financial data quality. He stressed the reliance placed on the role of internal audit, which was an important control mechanism.

In response to questions from the Committee, Mr Arthurs stated that the Audit Committee would have the clout to ensure that all significant recommendations for improvement were dealt with. He outlined the statutory procedure for reporting local authorities at high risk, but commented that this did not happen generally in local government. He considered that there should be engagement between the Committee and the Portfolio Holder, particularly during Use of Resources/CPA exercises. He also suggested that the Committee might review its Terms of Reference in the fullness of time, but that the Committee could have confidence that these were based on the current CIPFA Guidance.

A copy of the presentation is **attached**.

RESOLVED that the information be noted.

153/06 STATEMENT ON INTERNAL CONTROL

The Head of Financial Services presented his report and outlined the content of the Statement on Internal control. He highlighted the importance of the work of internal audit, and drew the Committee's attention to its role within the Use of Resources assessment. In response to questions from the Committee, the Head of Financial Services stated that following approval by this Committee, the Statement on Internal Control would be included within the Final Accounts which would be placed before the Executive and Council. Commenting on the level three award under the Use of Resources assessment, Mr Arthurs stated that this indicated that Spelthorne was a well-above average Council, within the top quartile of all districts. In order to gain level four (the highest level), the Council would need to demonstrate innovative good practice. The Council would need to consider carefully the balance of its resources and corporate priorities if it decided to work towards gaining the higher award.

RESOLVED that the draft Statement on Internal Control be approved and the improvement actions identified in part 5 of the Statement be endorsed, subject to the detail in paragraph 5.10 being made explicit.

154/06 AUDIT SERVICES ANNUAL REPORT

The Head of Audit Services presented the report, which gave an overview of the work undertaken by the Audit Services team last year, and responded to questions from members. The report highlighted audit work of particular interest including Corporate Risk Management, development of Staines Town Centre, independent living, Customer Services, Contract Audit, Managed Audit, Building Control and consultants. The Head of Audit Services also highlighted special investigations, which had resulted in improved controls. The Committee indicated that, from time to time, it would value reports from local managers to demonstrate that audit recommendations were being implemented.

RESOLVED that the contents of the Audit Services' Annual Report for 2005/2006 be noted.

155/06 EXTERNAL AUDIT AND INSPECTION PLAN

Henry Arthurs of Baker Tilly, the Councils' external auditors presented the External Audit Plan for 2006/2007.

He explained that the plan set out the audit and inspection work to be undertaken in accordance with the Audit Commission requirements. He commented that the inspection work related mainly to the Direction of Travel statement. He indicated that Baker Tilly would undertake sign-off of accounts, provision of opinion on financial statements, the issue of Value for Money conclusion and Best Value Performance Plan compliance. In addition audits of grant claims would also be undertaken.

Mr Arthurs also commented on the proposed audit fee, which he stated to be the lowest in Surrey. He also indicated that Spelthorne was relatively low risk.

The Chairman thanked Mr Arthurs for attending the meeting and discussing the report, and for his earlier presentation to the Committee.

RESOLVED that the Audit and Inspection Plan for 2006/7 be noted.

156/06 INTERNAL AUDIT – AUDIT SERVICES ANNUAL PLAN

The Head of Audit Services presented the annual plan, which aims to fulfil the Accounts and Audit Regulations 2003 requirements, and to provide an effective internal audit service. Preparation of the plan was underpinned by formal risk assessments, and she explained that any significant risks identified would influence the amount of time allocated to each service.

The corporate nature of the service was also emphasised and assistance for corporate projects in work planned for the current year. These included the Business Improvement Programme and Use of Resources assessment.

RESOLVED that the Audit Services Annual Plan 2006/07 be noted and approved.

157/06 COMMITTEE WORK PROGRAMME 2006

The Committee considered the revisions to the Work Programme.

RESOLVED that the revised Work Programme (which may be updated from time to time) submitted for 2006/7 be adopted.

**AUDIT SERVICES QUARTERLY REPORT
FOR THE PERIOD APRIL – JUNE 2006**

Audit Committee – 18 July 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 April – June 2006.

Main Issues

- Main financial systems
- Use of Resources Assessment
- Risk Management
- Business Improvement Plan

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 **Main financial systems (fulfils external audit requirements)** – Risk assessments were updated and extensive testing was undertaken in all areas. Generally systems were found to be satisfactory and in most cases previous recommendations had been implemented. Draft recommendations and issues arising from audits are summarised below:

Council Tax

- Auditors are currently working with Council Tax to review the system for verifying single persons discounts.
- Audit recommended that management should review extent of evidence of management checks on suppressed accounts.

NNDR

- Audit provided guidance on the monitoring of suppressed accounts to complement controls already being implemented by the section.

Payroll

- Audit recommended periodic testing of the service contingency plan.
- A previous recommendation regarding the need for independent verification of the validity of the payroll transactions by HR was repeated.
- Audit advised that the Human Resource Service should obtain confirmation from Service Heads as to why written references for certain Council Posts are not required and should seek evidence of qualifications for all Senior Posts (or where considered essential requirement for post).

Accounting systems

- Audit recommended a re-assessment of the authority's systems for monitoring and controlling capital sums due.
- IT system user changes should be made on a timely basis.

Loans and Investments

- Interim audit discussion led to improved monthly Treasury reporting on interest monitoring and cash flow forecasting by senior management.

Payments/Creditors

- Financial Services have agreed with a previous recommendation that they will take steps to reduce number of non-purchase order related

payments made. This would reduce the risk of duplicate payments, disputes with suppliers and would improve budgetary control.

- The authorised signatory list should be regularly updated.
- Financial Services should remind all IT system users to keep passwords private.

Debtors

- More use should be made of IT systems to record recovery action taken.
- Improvements in reporting mechanism for monitoring of debt outstanding were suggested.

Housing Benefit

- Audit recommended increased use of system facilities available in relation to ad hoc management information and exception reporting.
- There is a need to update and test contingency plans to cover all possible disruptive challenges to the service.

Cash and Bank

- Audit recommended need for updated procedures.
- There is a need to update and test contingency plans to cover all possible disruptive challenges to the service.
- Interim audit discussion led to an in-year improvement in the management review of cashbook reconciliations.

These audits will be followed up during the current quarter and progress reported at the next meeting.

- 2.2 **Use of Resources** – The Heads of Audit and Financial Services met with external audit to discuss their assessment and have prepared a draft improvement plan to address recommendations. Those specifically relating to risk management are dealt with in the Corporate Risk Management report attached to the Audit Committee agenda.
- 2.3 **Risk Management** – Audit re-drafted the Corporate Risk Register (see separate report) and assisted a number of managers with the review of Service Risk Registers. A system has been suggested to enable managers and members to monitor outstanding recommendations/actions relating to high/medium risks.
- 2.4 **Business Improvement Programme** – The Head of Audit Services represents the Support Directorate on the programme sponsors board. The programme will initially address Planning, Financial Services and Environment/Direct Services. Audit will also be involved in advising project teams on risks and controls, and efficiency related issues.

3. OTHER AUDIT WORK

- 3.1 IT Security – Baker Tilly / Audit Services followed up previous recommendations and an improvement plan has been prepared. Baker Tilly and the Service Head will report progress with the implementation of recommendations to the next Audit Committee.
 - 3.2 Statement on Internal Control – Assisted in the preparation of the SIC (presented to Audit Committee in May).
 - 3.3 Partnering – Continued discussions with other local authorities regarding partnering of audit services. Consideration is being given to expanding existing audit partnership with Surrey Heath. Arrangements for potential revenues partnership were monitored.
 - 3.4 High Hedge Legislation – Audit Services investigated a complaint by a member of the public regarding the Council's charges for High Hedge Legislation. Audit confirmed that existing staff could not absorb the additional work and that the charge was intended to cover additional costs. Charges had been set with reference to examples from other authorities and a reduction is made for complainants on low income. The issue was not considered to be high risk for the authority. The individual has written further and his comments were escalated to the Council's Monitoring Officer who subsequently rejected the complaint.
 - 3.5 Wheeled Bin Contract – A contract for the hire of wheeled bins was established in 1996. The contract was 'renewed' automatically in 2001. Audit and management were concerned that it was no longer possible to confirm the whereabouts of bins for which monthly payments were being made.

Advice was given regarding the termination of the contract and associated risks. Recommendations have been made to ensure those responsible for certifying invoices carry out the appropriate checks to confirm goods and services have been received.
 - 3.6 Audit Advice – Advice given on systems and procedures including Contract Standing Orders, Internet use, e-tendering, bank contract, payment of election staff, acquisition/ implementation of new software, implementation of Contact Management, completion of Audit Commission Data Quality questionnaire and advice to Asset Management and CAPS user Groups.
 - 3.7 Training – Surrey Audit Group, CIPFA Diploma in Public Audit, induction training, Transforming Local Government Finance course and various in house courses.
 - 3.8 General admin – Staffing issues, benchmarking, budget related issues, responding to corporate questionnaires, contribution to Audit Commission presentation and general office duties.
 - 3.9 Audit Committee – Annual audit report and audit plan prepared and presented to committee in May.
 - 3.10 Contract payments were reviewed and recorded.
- ### **4. SPECIAL INVESTIGATIONS**
- 4.1 Special investigations are included under Exempt items.

5. PROPOSALS

5.1 There are none.

6. FINANCIAL IMPLICATIONS

6.1 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.

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.

Contact:

Deanna Harris, Head of Audit Services (01784) 446207

Report Author:

Deanna Harris, Head of Audit Services (01784) 446207

Portfolio Holder:

Councillor E.J. Searancke

Background papers:

Relevant audit reports

CORPORATE RISK MANAGEMENT
AUDIT COMMITTEE – 18 JULY 2006
Report of Strategic Director (Support)

Executive Summary

Main Issues

- The Audit Committee is responsible for considering the effectiveness of the authority's risk management arrangements.
- The Corporate Risk Register has been reviewed and revised by the Corporate Risk Management Group and MAT.
- The Corporate Risk Register will be placed on Spelnet and actions will be monitored through the Council's performance management system (PB Views).
- Proposals to address recommendations made by external audit in their Use of Resources Assessment relating to risk management are summarised.

Options

1. To accept the Corporate Risk Register as drafted and proposals for improving overall risk management arrangements.
2. To recommend amendments for consideration by the Corporate Risk Management Group and MAT.

Corporate Priority

An effective risk management arrangement supports all corporate priorities.

Officer Recommendations:

The Audit Committee is asked to note the contents of the Corporate Risk Register, the planned system for managing risks and proposals to address external audit recommendations.

REPORT

1. BACKGROUND

- a. The Council's Risk Management Policy / Strategy was approved by the Executive in 2002. The general approach to risk management was developed in conjunction with Baker Tilly, the Council's external auditor.
- b. The Policy / Strategy, flowchart of responsibilities and risk registers (Corporate and Service) can be found on Spelnet.
- c. The Audit Committee is responsible for considering the effectiveness of the authority's risk management arrangements.
- d. This report provides the Audit Committee with an opportunity to review the revised Corporate Risk Register and the arrangements put in place to ensure recommendations are implemented.
- e. The report also details the recommendations made by external audit arising from their Use of Resources assessment relating to risk management.

2. MAIN ISSUES

f. Corporate Risk Register

The Corporate Risk Management Group and MAT have revised the Corporate Risk Register ([Appendix 1](#)). Actions required to reduce risks are shown together with officers responsible for recommendations and deadlines. It is important to note there is a separate Members' Risk register reviewed by the Executive in 2005.

g. Use of Resources Assessment

The Use of Resources Assessment evaluates how well the Authority manages and uses its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Authority's priorities and improve services. It has 5 themes, which cover:

- Financial reporting
- Financial management
- Financial standing
- Internal control (including risk management)
- Value for money.

External Audit's findings and recommendations are repeated below:

'The Authority has good risk management arrangements. A comprehensive risk management strategy has been adopted, and corporate and service level risk registers are maintained. All reports submitted to support strategic/policy decisions include a risk assessment. Individual service plans are informed by risks identified at a group level. The risk management strategy identifies a member-level champion for risk management, and a member level committee considers risk management. Members have received appropriate risk management training.'

The Authority does not have a dedicated quarterly report to members on corporate risk management, resulting in a fail for this level 3 criterion. Nonetheless, the Authority has suitable arrangements in place to ensure that corporate risks (both negative and positive) are regularly assessed and managed on an ongoing basis. These include an assessment of risks, corporate and at service level, in every report to Members, regular reporting to the management team on risk management issues, and consideration of risk by internal audit reports consider risk. We have therefore taken the view that these arrangements are sufficient to support a score of 3. ‘

Areas for improvement	
1.	<i>The Authority should submit dedicated quarterly reports to Members on corporate risk management</i>
2.	<i>The Authority should ensure that all Members receive risk awareness training.</i>

2.3 In order to address these recommendations, it has been agreed that corporate risks and required actions will be incorporated into the Council’s performance management and monitoring system (PB Views). Regular updates for members will be available through this system. In addition, each report to members will continue to show an evaluation of risks relating the decision being taken. The Audit Committee will also receive regular reports on risk issues, either as a separate report or incorporated into Audit Services’ reports.

2.4 Training was made available for all members in 2004/5 and a ‘Members’ Risk Pack’ was circulated. Further training will be organised during 2005/6 in order to satisfy external audit’s recommendation.

3. PROPOSALS
There are none.

4. FINANCIAL IMPLICATIONS
There cost of member training will be contained within existing budgets.

5. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS
There are none

6. RISKS
Actions outlined in this report will improve the Council’s overall risk management arrangements.

Contact:

Deanna Harris, Head of Audit Services (01784) 446207

Report Author:

Deanna Harris, Head of Audit Services (01784) 446207

Portfolio Holder:

Councillor Ed Searancke

Background papers:

There are none

CORPORATE RISK REGISTER

- Corporate Priorities:
1. Making Spelthorne Safer
 2. Engaging Younger People
 3. Making Spelthorne a Better Place
 4. Improving Customer Satisfaction with our Services
- Priority: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)

Risk Category	Risk / Consequences	Corporate Priority	Level of risk	Control / Action	Ownership	Target Date(s)
Partner/ Contractor / Commercial	Poor specifications/contractual agreements resulting in weakening of Council's position in disputes	3 & 4	3	<p>Controls: All significant contracts should be agreed by Legal Services</p> <p>Action 1: Legacy of any old contracts to be resolved eg APCs, wheeled bins, recycling, spray parks etc</p>	Service Heads	31.3.07
	Failure to identify review dates/actions eg increases in rents, contract end dates etc		3	<p>Action 2: Service Heads to ensure Legal Services are notified of all relevant contracts</p> <p>Controls: Legal diary system used where information available</p> <p>Action: Service Heads to ensure Legal Services are notified of all relevant contracts</p>	Service Heads/ Legal Services	
	Contractors/partners fail to deliver expected outcomes		2	<p>Controls: Management responsibility to monitor performance, variety of performance measures in place and contractual safeguards.</p>	Service Heads/ Legal Services	Service Heads

	Failure to award contracts in accordance with internal/ external rules resulting in poor vfm and claims from unsuccessful contractors		2	<p>Action: Review of all strategic partnerships in progress</p> <p>Controls: Rules set out in CSOs, contract handbook and other internal guidance</p> <p>Action: Procurement advice currently being prepared.</p>	BH/ Service Heads All staff MG	30.9.06 31.7.06
Financial / Economic	Errors/Fraud / theft (income, assets, payments)	3 & 4	2	<p>Controls: Managers are responsible for systems of internal control – independent assurance provided by internal/external audit/other inspections – see SIC</p> <p>Action 1: Internal check within payment systems to be improved during roll out of updated finance system</p> <p>Action 2: Audit recommendations to be implemented by management (refer to SIC)</p>	Service Heads/MAT TC Service Heads	31.3.07 Various – refer to PB Views
	Failure to achieve revenue targets / lack of budgetary control / poor debt management		2	<p>Controls: Financial Strategy, outline budget, budget/collection monitoring undertaken by managers.</p> <p>Action 1: Review of debt recovery to be completed</p> <p>Action 2: Financial awareness/ system training in progress</p>	Service Heads TC TC	31.12.06 31.3.07
	Unrealistic budget setting resulting in			<p>Controls: Budgets reviewed by</p>	Service	

poor vfm, over/under spending		2	Service Heads annually, approved by MAT and members Action 1: Need to control under-spending/improved budget monitoring	Heads/TC	
			Action 2: Improved budgetary control capital budgets and links with project management	TC	31.7.06
				TC	31.7.06
Poor return on investments		2	Controls: Managed funds – performance monitored by senior management with reports to members	TC	
Poor vfm / failure to implement procurement strategy / identify and manage savings		3	Controls: Procurement Strategy, action plan and clear responsibilities through Corporate Procurement Group Controls: AES, Financial Strategy/ budgetary constraints Action 1: Business Improvement Programme to be progressed and savings identified. Action 2: All decisions to be supported by full options appraisal/ business case	Service Heads/TC	
				BC	31.3.07
				Service Heads/MAT	Ongoing
Failure to maximise grant and other external funding opportunities		3	Control: Responsibility of managers to identify Action: Further work planned on maximising external funding	TC	31.3.07

	Failure to achieve excellent CPA/Use of Resources assessment		2	<p>Controls: Risk assessment/work identified by Asst. CX</p> <p>Action: Action plan to be developed to address issues arising from Use of Resources assessment</p>	BC/MAT TC/DH/ Service Heads	31.7.06
Regulation/ Legal / Litigation	Failure to meet legislative/government requirements resulting in loss of public confidence, intervention and prosecution	1, 2, 3 & 4	3	<p>Controls: Strong Corporate Governance culture, Legal Services responsible for implementing non service specific legislation</p>	MG/Service Heads/CX	Ongoing
	Health and Safety failing resulting in injuries and legal action against the Council		4	<p>Controls: Managers are responsible for regular risk assessments and all staff have responsibilities pointed out on Induction and in various policies and training events, Health and Safety Adviser</p> <p>Action: Current contract to manage threat of Legionella – progress to be monitored and reported to AMG and RMG</p>	All staff DP	
Organisation/ Management / Personnel	Lack of clarity over roles and responsibilities, inadequate management skills, failure to manage performance, poor communications, recruitment, retention, skills deficit, poor morale, staff relations and change	1.3 & 4	3	<p>Controls: IIP accreditation, appraisal process, job descriptions, performance clinics, targets linked to service plans, People Strategy, Staff Surveys, Communications</p>	Service heads / MAT / CX	

	<p>management – all leading to poor service delivery</p> <p>Health and safety of staff, violence, bullying</p> <p>Overstretched resources resulting in poor service delivery, failure in achieving desired outcomes</p>		<p>3</p> <p>2</p>	<p>Strategy, various HR policies/handbook, Absence Management policy, training programme related to needs. Turnover/sickness monitoring by MAT, Staffing reviews etc.</p> <p>Controls: Managers and staff responsible for complying with various policies, training/awareness, regular risk assessments by service managers, incident register.</p> <p>Controls: See above Action 1: Assessment of Council's overall programme of projects required to consider capacity/skills issue. Action 2: Structure reviews / Business Improvement Programme in progress.</p>	<p>All staff</p> <p>MAT</p> <p>MAT</p> <p>BC</p>	<p>31.7.06</p> <p>31.3.07</p>
<p>Political / Elected Member</p>	<p>Poor officer/member relations</p> <p>Adverse public opinion/media interest</p>	<p>3 & 4</p>	<p>2</p> <p>2</p>	<p>Controls: Member/officer codes of conduct and protocols</p> <p>Action: Need to monitor relations following recent survey</p> <p>Controls: Communications Strategy and significant resources allocated to area. Training provided for relevant staff.</p>	<p>All staff/ Members MAT</p> <p>MAT</p> <p>Service Heads / MAT</p>	

	Conflict between member decisions and other priorities/targets		2	<p>Controls: Corporate Plan sets out priorities/targets. Members advised by professional staff.</p> <p>Action1: Reports to make clear all issues relating to decisions and results of changing timescales/priorities.</p> <p>Action 2:Member training and clarification of roles</p>	MAT/ Members MAT MAT	Ongoing Ongoing
Environment	Disaster- major in borough	3 & 4	4	<p>Controls: Emergency plan/ regular training</p> <p>Action: Update plan and ensure training provided where necessary</p>	NL NL	31.7.06 Ongoing
	Uncertainty surrounding the financial /other consequences of contaminated land		4	<p>Action: MAT should monitor and report to members</p>	NL/MAT	Ongoing
	Recycling targets not achieved and government intervention		4	<p>Action: Strategic Director to monitor and report to members</p>	NL	30.6.07
Technology/ Infrastructure /Operations	Security breaches/system failure/ loss of data	1, 3 & 4	3	<p>Controls: Back up and continuity arrangements managed by Steria and tested by Service Heads</p> <p>Controls: IT security policies</p> <p>Controls: Contractual responsibilities of Steria</p> <p>Action: Implementation of IT security audit recommendations and testing of disaster plans</p>	Steria/RW/ Service heads RW	 30.9.06
	Breaches in security of buildings		3	<p>Controls: Knowle Green offices</p>		

	Disaster in Council building / Lack of continuity planning within services and reliance on individuals/systems		3	<p>alarmed and entry controlled.</p> <p>Action: Need for security protocol for each building which clearly sets out responsibilities</p> <p>Controls: There is a business continuity plan for Knowle Green and all services were required to produce continuity plans.</p> <p>Action: Knowle Green and Service continuity plans should be regularly reviewed and all staff aware of their contents. This should be co-ordinated centrally.</p>	DP	30.9.06
	Inadequate buildings, plant and equipment / Inefficient use of property		2	<p>Controls: Asset Manager, Asset Management Plan, Capital Programme, Asset Management Group, Planned Maintenance Programme & stock condition works.</p> <p>Action 1: Use of Resources Improvement plan recs to be implemented</p> <p>Action 2: Review of AM by external consultants – recommendations to be actioned.</p> <p>Action 3: Planned maintenance programme delayed – backlog needs to be re-assessed (NB</p>	Service Heads/ JF	30.9.06
					MAT	
					Various	31.12.06
					CX	31.7.06
					DP	31.7.06

	<p>Failure of projects due to poor project management</p> <p>Current projects include:</p> <ul style="list-style-type: none"> • Staines Town Centre (all 4 areas) • Stanwell Regeneration • BIP • Elderly Services • Leisure Centre – new contract & refurb work • Recycling • Contaminated land • Legionella contract • Delivery of savings • Procurement initiatives • Comino / contact management / records management • Delivery of BPS proposals • Others 		<p>4</p>	<p>question £100k saving,2005/6 & 2006/7 contracts not let).</p> <p>Controls: The authority has agreed project management methodology and invested in software, training and consultancy to assist.</p> <p>Action 1: MAT should examine the extent to which organisation is using agreed methodology and the following addressed:</p> <ul style="list-style-type: none"> • Business case/whole life costings? • Responsibility and accountabilities clearly defined? • Resources identified? • Deadlines agreed? • Expected outcomes determined? • Risks assessed? • Gate reviews/reporting progress? • All relevant stakeholders involved and agreements/approvals received? <p>Action 2: MAT should consider the Council's entire programme of projects and consider the level (capacity and skills) of resources available to deliver.</p>	<p>MAT</p> <p>MAT</p> <p>MAT</p>	<p>31.7.06</p> <p>31.7.06</p>
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	Failure to manage performance and service delivery		3	Controls: Corporate, service / personal targets, Performance Indicators/performance management (PB Views), customer expectations/ comments, member expectations	Service Heads/MAT	
	Failure to manage business processes and identify need for change		3	Controls: Responsibility of service heads to identify improvement in processes, professional standards, independent assessment and budgetary constraints. Action: Business improvement programme commenced (see above)	Service Heads/MAT	
	Failure to manage service risks		3	Controls: Service risk registers are updated annually and PB View system will be used to improve management of risks in future.	BC/MAT Service Heads	31.3.07
	Failure to align service objectives to corporate aims		2	Controls: Service plans are derived from Community and Corporate Plans.	Service Heads/MAT	
	Failure to adhere to corporate policies eg social inclusion		2	Controls: Policies documented and available on Spelnet. Training following introduction of new policy and through induction. Some monitoring	Service Heads/MAT	

	<p>Data is incomplete, inaccurate or delayed.</p>		<p>2</p>	<p>takes place. Action: Need system for regular updates and reminders about corporate policies. Controls: Data Quality Policy, corp. responsibility assigned, reference in Corp.Plan, systems of internal check by mgt., validation by Policy Officer, Charter Marks/HB Verification processes.</p>	<p>TK/MAT All Staff</p>	<p>30.9.06</p>
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24.1.2003; amended 3.4.03; 4.12.03; 1.7.04. 26.5.05 17.05.06

BOROUGH OF SPELTHORNE

ANTI FRAUD & CORRUPTION STRATEGY

Introduction

1. The Borough of Spelthorne is committed to providing a high standard of service and accountability. An important aspect of this is a strategy which protects against fraud and corruption within the Council itself and from external sources.

In this context

Fraud means - the illicit gaining of cash or other benefit by deception; and

Corruption means - the dishonest influencing of actions and decisions.

2. The Council recognises that it is already subject to a high degree of external scrutiny of its affairs by a variety of parties. This includes the general public, Council Tax/business rate payers, Service Users, the Local Government Ombudsman, Central Government, HM Customs and Excise, Inland Revenue and Department of Social Security.
3. It also has External Auditors who advise whether the Council has in place adequate arrangements for the prevention and detection of fraud and corruption.
4. While this external scrutiny assists in protecting against fraud and corruption the Council believes a clear statement of its own strategy is needed.
5. The key elements of the Council's strategy to combat Fraud and Corruption are:
 - An open and honest culture
 - Adequate preventative measures
 - Systems for detection and investigation
 - Understanding and awareness within the Council and the adoption of a "whistleblowing" policy

Culture

6. The Council expects Members and staff at all levels to behave with integrity and propriety and to act within the law and the regulations, procedures and practices laid down in relation to the conduct of the Council's business. The Council believes this is achieved best through the promotion of an atmosphere of honesty and openness.
7. The Council encourages Members and staff to raise any concerns they have about fraud and corruption immediately they occur. It will treat all concerns raised seriously and in confidence.
8. The Council has three senior officers who have particular responsibility for regulating the

conduct of the Council and its activities. These are:

Strategic Director (Support) (currently Sue Sturgeon)	Responsible for the financial management, audit and financial probity of the Council and also for its proper personnel policies and practices.
Monitoring Officer (currently Michael Graham)	Responsible for the legal probity and avoidance of maladministration or injustice by the Council.
Chief Executive (currently Roberto Tambini)	Responsible as Head of Paid Service for the overall management and direction of the Council and for ensuring adequate staff resources for services.

9. In addition each Head of Service has responsibility for the proper organisation and conduct of their service area.
10. Concerns should be raised with any of the above officers or with the Council's Head of Audit Services (currently Deanna Harris).
11. More detailed guidance and advice on how to raise any concerns is contained in the Council's whistleblowing policy.
12. If anyone feels they are unable to raise their concerns through any of the above routes they may contact 'Public Concern at Work' (0207 404 6609), a registered charity whose services are free and strictly confidential.

Prevention

13. The adoption of proper and adequate measures to prevent fraud and corruption are the responsibility of Members, Strategic Directors, Heads of Service and other managers. Preventative measures can be classified under two broad headings - Codes/Procedures and Systems.

1. Codes/Procedures

All Members and staff need to be aware of, and have ready access to, the Council's agreed policies and procedures eg. Financial Regulations, Standing Orders, Codes of Conduct, and any relevant practice and procedure documents.

In particular staff must observe the Council's Code of Conduct for Staff (a copy of which is made available to all staff) and any relevant professional codes.

References will be taken up for all permanent and temporary staff to verify their suitability, honesty and integrity.

Members will in particular observe the Spelthorne code of conduct adopted on the 21st February, 2002 and any other local Spelthorne code which may be adopted and will be supplied with a copy of any relevant code and advised of their responsibilities.

2. Systems

The Council has and will maintain in place systems and procedures which incorporate internal controls, including adequate separation of duties to ensure that, as far as possible, errors, fraud and corruption are prevented.

The Strategic Director (Support) has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs. A Finance Procedure Manual details key financial systems and provides guidance which underpins the Council's Financial Regulations.

Strategic Directors, Heads of Service and managers are responsible for ensuring that appropriate internal controls are properly maintained.

A detailed analysis of the risks associated with any service should be carried out by managers (with assistance from Audit Services as necessary) to ensure that fraud and corruption is minimised.

Detection and investigation

14. Concerns should be reported to one of the individuals referred to in paragraphs 8 to 10 above or in accordance with the Council's whistleblowing policy. A detailed investigation of any concerns raised will be undertaken with the assistance of the Council's Audit Service.
15. The Council will deal with any instances of fraud or corruption swiftly. Disciplinary action will be taken as necessary and the police informed/involved if appropriate. Where the Council has adopted a prosecution policy for any business area (eg Housing Benefit Fraud) this will be followed.
16. In the event that fraud is suspected on the part of contractors' employees or internally, by staff involved in agency or contract work on behalf of other bodies, procedures and responsibilities for reporting and initial investigation are the same as for staff. The Council will inform and involve employing contractors or agencies when appropriate.
17. Given the significance of benefit fraud in national and local statistics, the Council recognises the important role of its Benefit Fraud Investigation team in preventing and detecting benefit fraud. The Council will continue to support this function where working methods, resources and participation in national initiatives are under constant review.

Awareness

18. The Council recognises the continuing effectiveness of the Anti Fraud and Corruption Strategy depends largely on the awareness and responsiveness of Members and staff. It is essential that both Members and staff are made aware of the strategy when they join the Council and receive a copy for inclusion in their personal records and, in addition, have ready access to all other relevant documents, policies and procedures which regulate the Council's activities. Action will be taken on a regular basis to remind both Members and staff of the importance the Council places on avoiding and preventing fraud and corruption.

AUDIT COMMITTEE

DRAFT WORK PROGRAMME 2006 - 2007

Matters to be considered	Lead Officers	Activity
23 May 2006		
Annual Report on Internal Audit	Head of Audit Services	Report for the financial year April 2005 – March 2006
Draft Internal Audit Plan	Head of Audit Services	Plan for year April 2006 – March 2007
External Audit Plan	External Audit	Plan for year April 2006 – March 2007
Statement on Internal Control	Head of Financial Services	Approval
18 July 2006		
Quarterly Audit Report	Head of Audit Services	Report for period April – June 2006
Risk Management	Head of Audit Services	
Anti Fraud and Corruption Policy	Head of Audit Services	Review
17 October 2006		
Quarterly Audit Report	Head of Audit Services	Report for period July – September 2006
Risk Management	Head of Audit Services	
Statement on Internal Control	Head of Financial Services	Review
External Audit Interim Report including Key Financial Systems	External Audit	
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
Interim Annual Audit Letter and External Audit report	External Audit	
May 2007		
Annual Report on Internal Audit	Head of Audit Services	Report for the financial year April 2005 – March 2006
Draft Internal Audit Plan	Head of Audit Services	Plan for year April 2006 – March 2007
Risk Management	Head of Audit Services	
Annual Audit and Inspection Letter	External Audit	
External Audit Plan	External Audit	Plan for year April 2006 – March 2007
Statement on Internal Control	Head of Financial Services	Approval

AGENDA ITEM: 7