

Please reply to:

Contact: Gill Hobbs
Department: Support Directorate
Service: Corporate Governance
Direct line: 01784 446405
Fax: 01784 446333
E-mail: g.hobbs@spelthorne.gov.uk
Our ref: GH/AUD
Your ref:
Date: 9 March, 2007

NOTICE OF MEETING

AUDIT COMMITTEE (SPECIAL MEETING)

DATE: MONDAY 19 MARCH, 2007

TIME: 7.30 P.M.

PLACE: COUNCIL CHAMBER, COUNCIL OFFICES, KNOWLE GREEN, STAINES

TO: ALL MEMBERS OF THE AUDIT COMMITTEE

M.L. Bouquet
K. Chouhan

Mrs. M. Hyams
S.B.S. Lorch
E. O'Hara

J.D. Pinkerton
C.V. Strong

EMERGENCY PROCEDURE

In the event of an emergency the building must be evacuated. All Members and Officers should assemble on the Green adjacent to Broome Lodge. Members of the Public present should accompany the Officers to this point and remain there until the Senior Officer present has accounted for all persons known to be on the premises.

THE LIFT MUST NOT BE USED

This Agenda and any Reports are available in Large Print on request. Contact: Gill Hobbs (01784) 446405

RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose

To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process

Core Functions

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

A G E N D A

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 30 January 2007 (copy attached).

4. ANNUAL AUDIT AND INSPECTION LETTER

To receive the draft Annual Audit and Inspection Letter (copy attached). The final version of the letter will be circulated at the meeting.

5. 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.

6. EXEMPT INFORMATION

To consider an exempt report from the Head of Audit Services.

(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

30 JANUARY, 2007

Present:

Councillor M.L. Bouquet (Chairman)
Councillor J.D. Pinkerton (Vice-Chairman)

Councillors *K. Chouhan, Mrs. M. Hyams* and *C.V. Strong*

Apologies: Councillor *E. O'Hara*

Officers

Deanna Harris – Head of Audit Services

Punita Talwar – Senior Auditor

Nighat Sheikh – Auditor

Trevor Baker – Senior Committee Manager

Gillian Hobbs – Committee Manager

15/07 MINUTES

RESOLVED that the minutes of the meeting held on 17 October 2006 be approved as a correct record.

16/07 MATTERS ARISING

The Head of Audit Services updated Members on 4 items mentioned in Minute 320/06 of the 17 October meeting.

Audit Services had been working with Legal Services to resolve the discrepancy between car park income received and the amount banked by Securicor. The majority of the discrepancy had been resolved and it was hoped that the small amount outstanding would be paid shortly. The contract for collection was being reviewed.

The Head of Audit Services reported statistics for parking fines for on and off street parking offences. She gave details of an amount which need to be written off for on street parking offences due to a High Court ruling which had made tickets issued without a date of offence, illegal. The amount had been kept to a minimum due to the Parking Services Manager's vigilance.

As existing Members had already received some Risk Management training, it had been decided to take the opportunity of offering further training to the new Council after elections had taken place in May. Members that needed advice prior to this could access the Risk Pack on the Intranet or request guidance from the Head of Audit Services.

Following the theft of a purse and credit/debit cards from the Council Offices, all monies taken had been recovered from the banks. At the time of the theft the CCTV situated in the Council foyer had not been recording. It was

confirmed that all the cameras were now operating correctly and being backed up daily. For the moment, tapes of the backups would be stored indefinitely.

Cameras were currently situated in various locations internally and externally on the front entrance and within the horseshoe car park. A Member asked if any other internal areas of the offices were covered by CCTV. It was felt further cameras inside the Council Offices were unnecessary due to other security measures controlling access which were in place but this would be looked at when the next risk assessment of the building was carried out.

17/07 OUTCOME OF RECOMMENDATION TO EXECUTIVE

The Executive, at its meeting held on 16 January 2007, considered the recommendation from the 18 July 2006 meeting of the Audit Committee on “the removal of the words “if appropriate” in the second sentence of paragraph 15” of the Anti-Fraud and Corruption Policy and resolved not to accept the recommendation in its current form and invited the Audit Committee to reconsider the matter.

The Audit Committee having reconsidered its original recommendation still expressed concern and wished to emphasise that the reporting of fraud and corruption against the Council should not be left to the discretion of officers but reported directly to the police.

RESOLVED that the Audit Committee reaffirms its original recommendation to Executive: -

That the Audit 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 policy.

18/07 QUARTERLY AUDIT AND RISK REPORT

The Head of Audit Services presented the report which outlined the work undertaken by Audit Services during the period October - December 2006 and responded to questions from Members. She highlighted work of particular interest including, Internal Audit partnership with Surrey Heath Borough Council, Risk Management, Business Improvement Programme and Day Centres.

RESOLVED

That the contents of the Audit Services' Quarterly Report for October – December 2006 be noted.

19/07 CONFIDENTIAL (WHISTLEBLOWING) POLICY

The Head of Audit Services explained that the Confidential Reporting Code (Whistleblowing Policy) formed part of the Council's Constitution and set out how to raise serious concerns about any aspect of the Council's work and the legal protection against reprisals under the Public Interest Disclosure Act.

The Code was available on the Intranet, a leaflet had been placed on every notice board and regular reminders were given to staff of its existence.

No concerns had been raised by staff with specific reference to the 'Confidential Reporting Code'.

RESOLVED to note the Confidential Reporting Code (Whistleblowing) Policy as submitted.

20/07 MEETING DATES

At the time the calendar of meetings for 2007 was drawn up, no dates were set aside for the Audit Committee between January and June, but two meetings arranged consecutively in June and July.

It had always been the intention that the Audit Committee met on a quarterly basis.

RESOLVED

1. To include an additional meeting on the calendar of Thursday 19 April 2007 and
2. To remove the July meeting.

21/07 COMMITTEE WORK PROGRAMME 2006/2007

The Committee considered its Work Programme for the remainder of the Municipal year 2006/07.

RESOLVED that the Work Programme as submitted be approved.

22/07 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 they involve the likely disclosure of exempt information as defined in the paragraph of Part 1 of Schedule 12A of the Act indicated below.

23/07 CAR PARKS

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

The Head of Audit Services reported on an exempt matter relating to certain operational issues in car parks.

RESOLVED to

- a) recommend to Executive that management should address audit recommendations relating to health and safety issues which include
 - Parking Attendants to work in pairs when dealing with cash jams and other maintenance matters in machines located in the Council's Car Parks,
 - each Parking Attendant to carry activated panic buttons for emergency use
 - CCTV to be installed.

b) a special meeting of the Audit Committee be called on Monday 19 March to review the position and discuss the management issues with the Head of Environment Services and the Parking Services Manager.

Chairman _____
19 March 2007

Annual Audit and Inspection Letter

Date

Last saved: 15/03/2007 13:36:00

Annual Audit and Inspection Letter

Spelthorne Borough Council

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Document Control

Author Nick Ward

Filename Spelthorne BC AAIL 15 mar 2006

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Our overall summary	4
Action needed by the Council	4
How is Spelthorne Council performing?	5
The improvement since last year - our Direction of Travel report	5
Service inspections	8
Financial management and value for money	9
Other issues arising from audit work	12
Best value performance plan	12
Data quality	12
Grant claims	12
Audit fees	13
Audit reports	13
Conclusion	14
Availability of this letter	14

DRAFT

Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of Spelthorne Borough Council. The letter summarises our audit findings and includes our review of how well the Council has progressed (our Direction of Travel report) and how well it has managed its finances (our Use of Resources score). Both pieces of work will help to determine whether the Council's Comprehensive Performance Assessment (CPA) category needs to be re-scored in future.
- 2 The report is addressed to the Council. In particular, it has been written for councillors, but it is also available as a public document for stakeholders, including Spelthorne's residents.
- 3 The main messages for the Council included in this report are:
 - Overall the Council is not improving as quickly as other district councils based on a basket of key performance indicators selected by the Audit Commission.
 - The Council continues to take action to strengthen its capacity to deliver its objectives and has built strong partnerships which are delivering improvement.
 - Resources have been directed to addressing priority areas of concern to the Council and the Council can point to improvements in most of them. However key areas need improvement, for example, performance in recycling waste and processing planning applications
 - Overall the Council continues to perform well in its use of resources arrangements, maintaining its 3 out of 4 rating. Within this the Council has received an improved rating for elements of Financial Reporting and Financial Management.

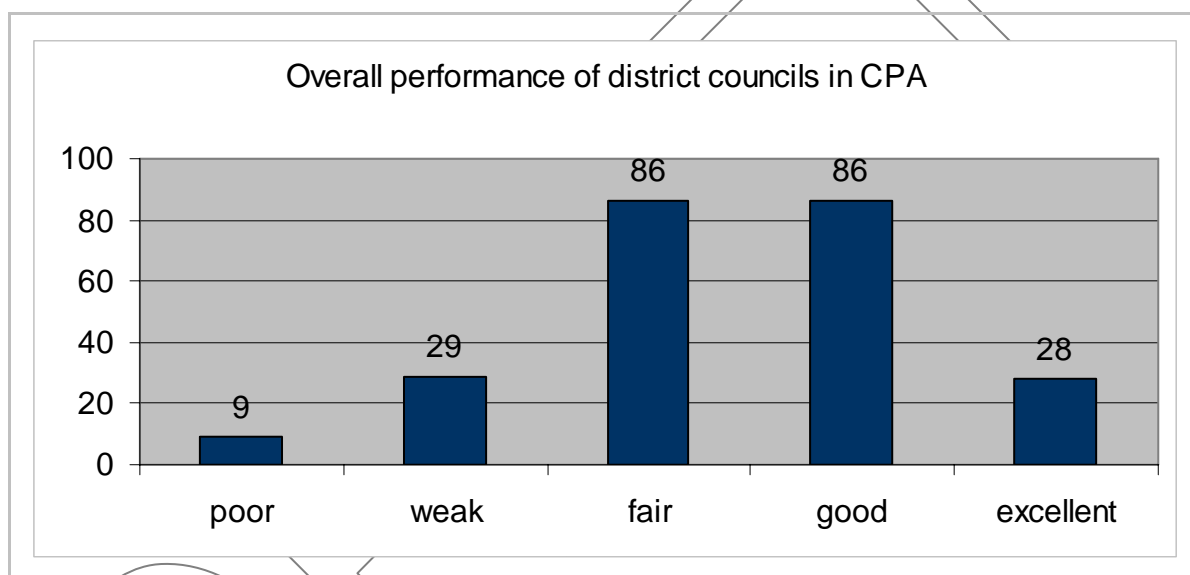
Action needed by the Council

- 4 The Council should:
 - Ensure that targets and actions to improve service in priority areas are clearly stated within the Corporate Plan in order to maintain its focus and effectively tackle issues of concern
 - Concentrate on improving recycling rates and planning performance
 - As a key priority, continue to manage progress towards meeting its financial plan.

How is Spelthorne Council performing?

- 5 Spelthorne Borough Council was assessed as 'Excellent' in the Comprehensive Performance Assessment (CPA) carried out in 2004 and it scored 3 out of a possible 4 in its Use of Resources assessment carried out in early 2007. CPA assessments have been completed in all district councils and we are now starting to update the assessments through an updated corporate assessment, in councils where there is evidence of change. We have not deemed it necessary to update Spelthorne's score at this stage. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

Performance overview

- 6 The Council has a clear understanding of local issues informed by extensive consultation. It has used its understanding to continue to develop corporate priorities based on local issues. It has set as its key priorities:
- community safety
 - improved customer satisfaction
 - quality of life

- the environment
 - housing
 - young people
- 7 Overall the Council is not improving as quickly as other district councils based on reported key performance indicators (PIs). Only 44 per cent of PIs have improved which is below the average of 58 per cent for other district councils. In addition only 29 per cent of PIs are performing in the best quartile, which is just below the average of 31 per cent for all district councils and only 8 per cent of the Council's PIs for environment, housing and benefits were in the top performing 25 per cent which is below the average for other excellent rated councils.
- 8 The Council continues to strengthen its capacity to deliver its objectives. It has built strong partnerships which are delivering improvement. The member development programme has received external recognition which gives the Council and its partners confidence that it is providing members with good opportunities to develop appropriate decision and policy making skills. It has increased its budget in priority areas, such as waste and recycling, and recruited extra staff to deliver the changes to waste collection arrangements.
- 9 The Council's plans for improvement are adequate and it is implementing improvement plans reasonably well. All plans and strategies are brought together through the Corporate Plan with progress monitored quarterly and a review published annually. Targets for service improvement and specific actions relating to how the Council will achieve its corporate priorities or tackle weaker service performance are contained within individual Service Plans. To be confident that it will maintain its focus and effectively tackle issues of concern the Council should ensure that targets and actions to improve service in priority areas are clearly stated within the Corporate Plan.

Community safety

- 10 The Council is working well with its partners on its priority of making Spelthorne safer. Two major CCTV installations in areas with anti-social behaviour incidents and feeling of fear of crime are producing results with the number of reported incidents dropping since the cameras have been operational. A neighbours' mediation service has been introduced to help people resolve problems. In these ways the Council is taking positive steps to tackle fear of crime as well as helping to reduce anti-social behaviour and the number of domestic burglaries, robberies, violent crimes and sexual offences has reduced, although motor crime has increased.

Improving customer satisfaction

- 11 The Council is taking steps to improve access and quality of service for all communities. The Council has improved customer access, for example, by ensuring that the Customer Service telephone is staffed for longer to meet the needs of people at work, making more forms available online and developing further e-enabled services.

Quality of life

- 12 A review of services for older people has shifted focus and resources into improving services for frail older people. As a result, meals on wheels are now provided seven days a week and additional investment has been made in extra care housing schemes. Extensive consultation has been carried out with minority communities in the borough to identify concerns and this information is being used to improve access and extend service provision. The Council published its Disability Equality scheme to time. However, in some areas progress is slow. So far it has only achieved Level 1 of the equality standard for local government, but is now actively working to achieve Level 2 by March 2008.
- 13 The Council is working with partners to regenerate Stanwell, a more deprived part of the borough. It is working with partners on several projects to provide a new surgery and library and improve housing with a better mix of tenures. To respond to residents' concerns the Council and its partners are looking to design out crime and improve community facilities.

The environment

- 14 Environmental improvements this year include investment in new mechanical sweepers and dedicated litter pickers. Green Flags, the national standard for parks and green spaces, have been secured for two parks in the borough and the Council has successfully completed the first year of the local authority Carbon Management programme in its community leadership role of promoting energy efficient buildings.
- 15 However, less progress has been made on improving services such as recycling and planning. The latest available audited performance data shows that both these services deteriorated during 2005/6 with nationally set targets not met. The Council's performance was 18 per cent for recycled materials which is well below the national target of 30 per cent. It has plans to close the gap by moving to an alternate weekly collection of waste and recyclables from September 2007. The amount of waste collected declined slightly in 2005/6 which is a positive step.
- 16 Based on performance indicators for 2005/6, planning performance has deteriorated with national targets not met. The time taken to determine both major and minor applications has fallen with performance now in the bottom 25 per cent of district councils. The Council achieved only 52 per cent of major planning applications determined within 13 weeks and 68 per cent of minor applications in 8 weeks. The Council is reporting significant improvement as at the end of December 2006.

Young people

- 17 The Council has made good progress towards achieving its priority of engaging young people better. Over 3,000 young people participated in arts and sports activities in the 2nd Urban Games, the Youth Unlimited web-site was launched in partnership with the Youth Council and a text messaging service was launched in September on forthcoming events for young people. Spelthorne youth councillors are actively involved in debating local issues. In addition, Spelthorne has been a leading member of a group of local councils examining the impact of the Children and Young Persons Act on district councils. These initiatives are making an effective contribution to ensuring this target community is better engaged and informed in Spelthorne.

Housing

- 18 Progress being made in improving support for vulnerable people has been slow. The Council took longer (28 days) to process new claims for housing benefit and council tax benefit in 2005/6 than in the previous year (24 days), but performance is still better than average. It has reduced the time homeless households spend in bed and breakfast accommodation from 12 to 9 weeks, but even so its performance compares poorly with other councils. However other indicators of progress are more positive e.g. homelessness acceptances have decreased from 109 in 2004/5 to 76 in 2005/6 (with a predicted figure of 40 for 2006/7).

Service inspections

- 19 No service inspections have been carried out for Spelthorne Borough Council since our last Annual Audit and Inspection letter.

Financial management and value for money

- 20** We have reported the issues arising from our 2005/06 audit to the Executive and to the Audit Committee. We have given:
- an unqualified opinion on the Council's accounts;
 - our conclusion that the Council's arrangements to secure value for money are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited and that the plan contains the information specified by government.
- 21** The findings of the auditor form an important component of the CPA framework described earlier in this letter. In particular, the Use of Resources score is derived from the assessments made by the auditor in the following areas:
- Financial Reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial Standing (including the strength of the Council's financial position).
 - Internal Control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 22** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1=lowest, 4=highest)

23 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows:

- The Council has strong arrangements in place for the production and reporting of its statement of accounts. In 2005/06 the Council strengthened its financial reporting arrangements by publishing, for the first time, summary accounts which were made widely available to residents and businesses. There is scope for the efficiency of the financial statements audit to be improved, and we are working with officers to achieve this.
- Financial management arrangements (including medium term financial strategy, budgetary control and asset management) are strong overall. The annual budget and medium term financial strategy provide a solid foundation for strategic financial planning processes, which are underpinned by sound budgetary control mechanisms. Asset Management arrangements have been further developed during 2005/06.
- We have assessed the Council's management of financial standing as strong:
- In 2005/06 the Council recorded a surplus of £61,000 in its Consolidated Revenue Account. Earmarked and general fund reserves at 31 March 2006 amounted to £16.7 million. The Council has set a budget of £13.56 million for 2006/07 and is currently projecting a small overspend for the year of £14,000 (current overspend for the year to date is £184,000) and anticipating reserves totalling £16.5 million at 31 March 2007, of which £2.7 million will be uncommitted.
- A budget of £14.31 million has been set for 2007/08 which includes planned halving of use of reserves to £0.5 million.
- The Council is currently in a sound financial position and has in place appropriate arrangements to manage its financial resources in the short and medium term. Its medium term financial strategy recognises that the former reliance on using reserves to bridge funding gaps is not sustainable and indeed requires the elimination of drawing down of the general fund reserve by 2008/09. Looking forward, the need to exercise tight financial management will remain a critical issue for the Council; particularly so in view of the considerable level of savings it has achieved in recent years and the consequently reduced scope to identify further savings in the future.
- Overall, we found that the Council has robust internal control and governance arrangements and it scored 3 for this theme. Risk Management arrangements have been strengthened and further embedded in a number of areas. In particular, risks are more clearly reflected in the Corporate Plan, which in turn is linked with service plans, and the Audit Committee, which first met in February 2006, undertakes a corporate risk management role.

- In relation to our value for money (VFM) assessment we have again assessed performance as level 3. The Council is performing well in a number of service areas, including Benefits and Council Tax collection, although its performance in a number of areas (for example, homelessness, recycling and street cleaning) does not, as yet, reflect increased levels of spend (for more detail see our Direction of Travel analysis, above). The Council has also achieved efficiency savings exceeding its annual efficiency savings target; with total quantified gains of £572,000 in 2005/06, of which £266,000 were cashable. Its arrangements for procurement, which are driven by the Procurement Board, are strong and the Council's commitment to achieve good value for money through procurement is demonstrated in its joint work with other authorities on services including leisure centres, SPAN and CCTV.

DRAFT

Other issues arising from audit work

Best value performance plan

- 24 We are required to issue our statutory audit opinion and certificate on the Best Value Performance Plan (BVPP) - or similar document - under section 7 of the Local Government Act 1999. We issued an unqualified opinion and certificate on the 2006/07 BVPP in December 2006.

Data quality

- 25 We assessed the Council's arrangements for ensuring data quality using a three stage approach developed by the Audit Commission. The work informed our value for money audit opinion and the opinion given on the Council's 2006 Best Value Performance Plan (BVPP). Our work involved:
- reviewing the corporate management arrangements established for data quality and their practical application;
 - the completeness of published performance information; and
 - a detailed review of performance indicators specified by the Audit Commission using a risk based approach.
 - The Council's has good corporate arrangements for the management of data, which include a data quality strategy and information security policy. Its use of the system 'PB Views' provides a good level of assurance that the data it uses to manage its performance is robust. We assessed the overall arrangements as being 'good', scoring 3 on a scale of 1 - 4 where 4 equates to excellent. The only weaknesses in arrangements related to the Data Quality strategy not setting out local practices and monitoring arrangements. The Council publishes all the performance information it is required to do.

Grant claims

- 26 During 2005/06 we certified four grant claims on behalf of the Council: these were in respect of Benefits, NNDR, the Pooling of Housing Capital Receipts and Disabled Facilities grant.
- 27 For grant claims relating to 2006/07 and beyond the Audit Commission has increased the audit threshold from £50,000 to £100,000, ie claims below that value will no longer require an audit. In addition, claims falling between £100,000 and £500,000 in value will only require a limited audit.

Audit fees

- 28 The planned audit fee for 2005/6 core audit was set at £58,585. No additional fees were billed during 2005/6 and therefore the outturn fee was £58,585.

Audit reports

- 29 The audit reports that we issued during the year are shown in Table 2

Table 2 Audit reports

Report	Date issued
Annual Audit and Inspection Plan for 2006/07	May 2006
Report on the 2005/06 audit	September 2006
Use of Resources Report (2006)	March 2007
Annual Audit and Inspection Letter	March 2007

DRAFT

Conclusion

- 30 This letter has been discussed and agreed with the Council's management team on 13 March 2007. A copy of the letter will be presented to the Audit Committee on 19 March 2007.
- 31 The Council has taken a positive and constructive approach to our audit and inspection. Baker Tilly and I should like to take this opportunity to express our appreciation for the assistance and co-operation we receive from the Council's officers and members.

Availability of this letter

- 32 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Nick Ward
Relationship Manager

DRAFT