

*Please reply to:*

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Our ref: GH/AUD  
Date: 15 June 2011

**NOTICE OF MEETING**

**AUDIT COMMITTEE**

**DATE: THURSDAY 23 JUNE, 2011**

**TIME: 7.30 PM**

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

**TO: ALL MEMBERS OF THE AUDIT COMMITTEE**

Mrs M.J. Madams (Chairman)	Ms P.C. Forbes-Forsyth	A.C. Patterson
Mrs D.L. Grant (Vice-Chairman)	A.E. Friday	C.V. Strong
	Ms D. Patel	

**EMERGENCY PROCEDURE**

In the event of an emergency the building must be evacuated. All councillors and staff should assemble on the Green adjacent to Broome Lodge. Members of the Public present should accompany the staff to this point and remain there until the senior member of staff 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) 444243

## 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 Annual Governance Statement, 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.

### **MOBILE TECHNOLOGY – ACCEPTABLE USE**

Use of mobile technology (mobiles, Blackberries, etc) in meetings can:

- Interfere with the PA and Induction Loop systems
- Distract other people
- Interrupt presentations and debates
- Mean that you miss a key part of the decision

#### **PLEASE:**

Either switch off your mobile phone/Blackberry OR turn off its wireless/transmitter connection for the duration of the meeting.

*Thank you for your co-operation.*

## **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 26 May 2011 (copy attached).
- 4. OVERVIEW ON ROLE OF AUDIT COMMITTEE**  
To receive a presentation from the Head of Audit Services on the role of the Audit Committee.
- 5. CORPORATE RISK MANAGEMENT**  
To receive a report from the Chief Finance Officer (copy attached).
- 6. AUDIT SERVICES ANNUAL REPORT**  
To receive a report from the Head of Audit Services. (copy attached).
- 7. ANTI FRAUD, BRIBERY AND CORRUPTION STRATEGY**  
To consider the report of the Assistant Chief Executive. (copy attached)
- 8. COMMITTEE WORK PROGRAMME 2011/12**  
The Committee is requested to consider and approve its work programme for the Municipal Year 2011/12. (copy attached)

**MINUTES OF THE AUDIT COMMITTEE**

**26 MAY 2011**

**Present:**

Councillors:

P.C. Forbes-Forsyth            M. J. Madams            A.C. Patterson

A.E. Friday                      D. Patel

**Apologies:** Councillors Mrs D.L. Grant and C.V. Strong

**141/11            APPOINTMENT OF CHAIRMAN**

**RESOLVED** that Councillor M.J. Madams be appointed Chairman of the Audit Committee for the Municipal Year 2011/2012.

**142/11            MINUTES**

The minutes of the meeting held on 24 March 2011 were approved as a correct record, subject to the date of 13 June 2011 scheduled in the Council's diary for the training session on the new IFRS Statement of Accounts being amended to 4 July 2011.

**143/11            APPOINTMENT OF VICE-CHAIRMAN**

**RESOLVED** that Councillor Mrs D.L. Grant be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2011/2012.

## **CORPORATE RISK MANAGEMENT**

**Audit Committee 23 June 2011**

**Report of the Chief Finance Officer**

### **EXECUTIVE SUMMARY**

#### **How does the content of this report improve the quality of life of Borough Residents**

Regular review of the Corporate Risk Register helps to improve overall risk management arrangements, which supports all corporate priorities.

#### **Purpose of Report**

This report provides MAT and the Audit Committee with an opportunity to review the Corporate Risk Register and note outstanding actions.

#### **Key Issues**

- The Corporate Risk Register has been reviewed and updated.
- Progress on outstanding actions has been documented on the register.
- Further actions have been proposed in the register to mitigate risks.

#### **Financial Implications**

Staff time to implement actions proposed should be contained within existing budgets.

#### **Corporate Priority**

All corporate priorities.

#### **Officer Recommendations**

The Audit Committee are asked to note and accept the contents of the Corporate Risk Register.

**Report Author: Punita Talwar/Deanna Harris, Head of Audit Services, 01784 446207.**

**Contact: Deanna Harris, Head of Audit Services, 01784 446207.**

**Lead Member: Tim Evans**

**Portfolio Holder: Tim Evans**

## MAIN REPORT

### 1. BACKGROUND

- 1.1 Risk management is frequently defined as "*The identification, analysis and economic control of all threats to the achievement of the organisation's strategies and operational activities*".

Spelthorne provides a wide range of services to residents, local workers and visitors. The nature of these services presents a significant potential for loss (both financial and otherwise), disruption, damage and injury.

Although some risks will always exist and can never be fully eliminated, the adoption of a structured approach to identify, manage, monitor and review risks offers many potential benefits. It will help the Council achieve its corporate objectives and enhance the value of services it provides.

The Council's Risk Management policy/strategy, flowchart of responsibilities and Corporate Risk Register can be found on Spelnet.

- 1.2 This report provides the Audit Committee with an opportunity to review the revised Corporate Risk Register, assess progress on actions previously recommended, and review new actions proposed for improvement.

### 2. KEY ISSUES

- 2.1 The Corporate Risk Management Group has revised the Corporate Risk Register (Appendix 1).

- 2.2 Progress on actions has been documented on the attached register (see control/action and progress columns). Progress has been made in the following areas:

- The majority of **service plans** have been updated in the new format and the Head of Environmental Health and Building Control is pursuing two outstanding areas. Service Heads have been requested to ensure their service plans reflect this year's budget, and give consideration to local performance indicators.
- MAT have allocated an officer to take forward the project management proposals made by the former Project Manager, aimed at improving **project management** arrangements across the Authority.
- **IT Security** – Annual IT Disaster recovery test is scheduled for June and all actions from the independent health check conducted in October 2010 have now been addressed.
- An audit questionnaire has been issued to all Service Heads in order to seek assurance that **business continuity plans** are fit for purpose and regularly tested. Responses will be evaluated by the Business Continuity forum in due course.
- National emergency planning exercise attended by the Emergency Planning Officer and learning points being taken forward. Training relating to the Borough's **Emergency Centre Plan** (operational approach) is

scheduled for 30<sup>th</sup> June 2011, and other areas of emergency planning underway include emergency assistance centre work, counter terrorism exercises and reservoir response planning.

- The Council has considered the potential **health and safety risks** of reduced spend on building maintenance as identified by the Head of Asset Management. This issue relates to all Council owned buildings including for example, Ashford Car Park, where the two top floors have now been closed to protect the public. The Head of Asset Management has confirmed that additional funding for Planned Maintenance and resources available through the partnership with another council has reduced the risks previously identified.
- Risks relating to the **Human Resources , IT and Asset Management partnerships** with Runnymede Borough Council have been identified and reviewed on a standard template.
- The Joint Heads of Housing and Independent Living continue to update MAT of any key changes in government policy relating to **Housing Benefits** and the implications this may have for the Service. Reports have also been issued outlining HB staffing arrangements in the interim period before transfer to the DWP.

2.3 The following areas have not been fully addressed:

- (a) The **Emergency Plan** (strategic approach) has not been updated, and there is scope for corporate training/testing of the plan thereafter. It is acknowledged that this is due to delays by the Local Resilience Forum support unit in providing updated multi agency numbers. See part 6 of the Risk Register.
- (b) Where there is over reliance on individuals, measures have been put in place to provide some **back up** in key service areas, in particular for system administrator roles. Whilst back up arrangements with Steria have not been specifically tested within Revenues and Benefits, it is acknowledged that this forms part of a broader review to improve resilience, particularly with respect to benefit system administration and assessing additional support required. See part 14 of the Risk Register.

2.4 A new action has been added to the register to mitigate risks as follows:

- (a) The recent re-structure of Customer Services and new role of the Revenues Manager means that she will no longer have capacity to undertake the **system administration role** for benefits. This issue requires resolution. Internal Audit will be assisting in an independent assessment of the role of system administrator. (See part 14 of the Risk Register – Technology/ Infrastructure / Operations).

### 3. OPTIONS ANALYSIS

**Either:**

1. To note and accept the contents of the Corporate Risk Register including the new action proposed to mitigate risks. The revised register is considered to be an accurate reflection of the high level risks affecting the Authority, as well

as the progress made on actions previously proposed, based on our assessment of risk and controls in operation.

**Or:**

2. To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

#### **4. PROPOSALS**

- 4.1 To agree Option 1, above.

#### **5. BENEFITS AND SUSTAINABILITY**

- 5.1 Proposals set out in the Corporate Risk Register should improve overall risk management arrangements across the Authority, which supports all corporate priorities.

#### **6. FINANCIAL IMPLICATIONS**

- 6.1 Resources required (staff time) to implement actions proposed in the Corporate Risk Register should be contained within existing budgets.

#### **7. LEGAL IMPLICATIONS/OTHER CONSIDERATIONS**

- 7.1 Potential legal consequences should the risks identified not be addressed adequately. The purpose of the Risk Register is in part to avoid such consequences.

#### **8. RISKS AND HOW THEY WILL BE MITIGATED**

- 8.1 The risks and associated actions are set out in the Risk Register.

#### **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 The Corporate Risk Register shows officers responsible for progressing actions, together with timescales for implementation.

**Report Author: Punita Talwar/Deanna Harris, Head of Audit Services, 01784 446207.**

**Background Papers: There Are None.**



**SPELTHORNE BOROUGH COUNCIL  
CORPORATE RISK REGISTER – 2011/12 QUARTER 1**

The register summarises the high level risks faced by the Council in relation to achieving the objectives and priorities as defined in the Council's corporate plan. The register sets out the control procedures in place to mitigate these risks, and identifies any further action needed to manage these risks effectively. Actions are assigned to appropriate officers with target dates for implementation.

**Corporate Priority themes are referred to in the risk register.**

**Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)**

<b>Risk Category</b>	<b>Risk/Consequences</b>	<b>Corp Priority</b>	<b>Level Of Risk</b>	<b>Control / Action</b>	<b>Owner-ship</b>	<b>Target Date</b>	<b>Progress</b>
<b>1. Technology/ Infrastructure /Operations</b>	Failure to align service objectives to corporate aims	All	3	<b>Controls:</b> Service plans are derived from Community and Corporate Plans. <b>Actions: All Service Plans require updating annually and need to reflect corporate priorities.</b>	Service Heads	March 2011	<b>Some. May 2011: Two service plans outstanding. Head of Env. Health to pursue.</b>
<b>2. Technology/ Infrastructure /Operations</b>	Failure of projects due to poor project management arrangements.	All	3	<b>Controls:</b> Project management principles and methodology agreed some years ago, although not consistently applied and scope for senior management to re launch on a corporate level. <b>Actions: Review corporate reporting and management of projects; allocation of responsibilities and resources; corporate guidance; business case preparation and post implementation reviews.</b>	MAT	July 2011	<b>Some. May 2011: MAT has allocated responsibility for project management co-ordination.</b>

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
3. Technology/ Infrastructure /Operations	3i. Security breaches, system failure, loss of data	All	3	<p><b>Controls:</b>            Back up and continuity arrangements managed by Steria and tested by Service Heads.            IT security policies. Personal Commitment statement required from all staff.            Contractual responsibilities of Steria.            IT security group assess ongoing risks.            IT disaster recovery test scheduled for June 2011.</p>	TC/HD		Ongoing
	3ii. Failure to meet the minimum security requirements of the Government Code of Connection resulting in termination of connection to any other government sites/data.	All	3	<p><b>Controls:</b>            COCO review group assess compliance with the Code of Connection            Successfully passed security requirements of the Government Code of Connection (COCO) in December 2010.            New firewall installed.            Independent health check completed in October 2010 and actions addressed.            Additional security measures have been implemented, including encryption of laptops, CD'S and memory sticks, (memory sticks will be banned until they are 'white-listed' as known devices on the network), locking down USB ports and improved authentication for remote working. Dual factor authentication is being rolled out.            Penetration testing conducted annually, in accordance with COCO requirements.            New arrangements have been implemented for voluntary sector access.</p>	TC/HD		Ongoing

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
4. Financial	Poor return on long term investments /investments insecure in current climate.	All	3	<p><b>Controls:</b>                      Treasury Management strategy approved by Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely.                      Council's investments managed internally in consultation with Sector Treasury.                      Use Fitch ratings and criteria recommended by Sector Treasury.                      Regular monitoring and reporting of investment portfolio and returns achieved.</p>	TC		
5. Technology/ Infrastructure /Operations	Disaster in Council buildings / Lack of continuity planning within services and reliance on individuals/ systems	All	3	<p><b>Controls:</b>                      The Health and Safety Officer chairs the gold corporate Business Continuity group under the guidance of the ACX (Brian Harris). The Gold corporate Business Continuity plan has been updated. An action Plan is in place for the business continuity forum which is monitored. The Health and Safety Officer is responsible for the coordination of business continuity plans. The majority of services have submitted updated plans during 2010. Questionnaire has been issued to all Service Heads (May 2011) in order to seek assurance that plans are fit for purpose and being regularly tested.</p>	Service Heads/ MAT /SM	TBA	<b>Actioned/ Ongoing. May 2011: Business Continuity Forum to evaluate responses from audit exercise in due course.</b>
				<p>New website developed to include information on conference calling and provide a single access point for storing information on business continuity planning.</p>	Service Heads/ MAT/ SM		
				<p><b>Action: The Authority must ensure the plans are fully communicated, tested and updated regularly.</b></p>	Service Heads/ MAT/ SM		<b>Ongoing</b>

6. <b>Environment</b>	Disaster- major in borough, e.g. pandemic influenza, resulting in inability to provide services	Environment	4	<p><b>Controls:</b> Emergency Plan (strategic approach) due to be updated. Borough Emergency centre plan (operational approach) written and approved by MAT, setting out additional requirements for some staff. The Emergency Planning Officer is training individual officers in new roles as part of the emergency response. Training relating to the Borough's emergency centre plan is scheduled for 30<sup>th</sup> June 2011 and some officers to attend external training. Emergency assistance centre work also underway with issues arising being reported to MAT. Risk assessments completed and major incident flood plan submitted to Surrey Local Resilience forum. Advice and training provided by Surrey Local Resilience forum and the PCT. Counter terrorism exercises and reservoir response planning currently underway. National emergency planning exercise attended by the EPO in March 2011 and learning points being taken forward.</p>	LB/SM	July 2011	<b>Outstanding. May 2011: Emergency Plan (strategic approach) not updated as awaiting the completion of updated multi agency numbers. A number of important areas of emergency planning work are progressing.</b>
				<p><b>Action March 2011: The Borough Emergency Plan (strategic approach) requires updating. Following this a corporate training exercise should be scheduled.</b></p>	LB/SM		
7. <b>Environment</b>	Uncertainty surrounding the financial /other consequences of contaminated land	Environment	4	<p><b>Controls:</b> Legal duty to inspect land and prioritise action Progress reports issued to MAT outlining financial and other risks. DEFRA review on statutory guidance. A separate risk assessment addresses contractual, financial/resources and legal/regulatory risks. Risks associated with potential lack of resources to undertake further detailed site investigations have been identified.</p>	LB/LO	Sept 2011	Ongoing
				<p><b>Action: Risk assessment to be reviewed every two years (Sept 2011), or earlier if necessary</b></p>			



10. Partner/ Contractor/ Commercial	Failure to obtain vfm / lack of transparency in awarding contracts	All	3	<p><b>Controls:</b> Performance measures in place and contractual safeguards - Management responsibility. Review of strategic and internal partnerships Contract guidelines (simplified version of Contract Standing Orders in place with compliance checklist). Partnership governance policy in place, and reminders issued to Service Heads on need to comply. Significant partnerships identified. Performance management and review committee to periodically review partnerships. E-tendering system Procurement and contract management training</p>			
	<p>Contractual disputes and Potential claims through poor documentation.</p> <p>Weak contract management resulting in Contractors/partners failing to deliver expected outcomes</p> <p>Weak partnership governance arrangements</p>			<p><b>Action: Risks relating to individual partnerships to be identified and reviewed, e.g. Asset Management partnership with Runnymede Borough Council.</b></p>	Service Heads/ MAT	March 2011	<b>Actioned. May 2011: Risks relating to the HR, IT and Asset Management partnerships with Runnymede have been assessed</b>
	Suppliers/contractors go out of business, affecting the completion of contract works/service delivery, and ability to pay business rates.	All	3	<p><b>Controls:</b> Financial Services monitor the financial media in relation to larger companies and critical commercial partners that the authority engages with.</p>	Service heads/ MAT/ TC		Ongoing.

**Appendix 1**

<b>11. Economic/ Social</b>	Service planning difficulties due to changes in economic and social conditions beyond Council's control	Environment /Economic Development	3	<b>Controls:</b> Long term strategic planning Corporate and community plans linked to service plans New corporate priority themes	SM/BC		Ongoing
<b>12. Environment</b>	Failure to deliver sustainable community strategy / deliver climate change strategy: -Contravening legislation (climate change act 2008) -Poor resilience to climate change by services and community -Services not adequately prepared for climate change, effecting service delivery.	Environment	3	<b>Controls:</b> Sustainable Development strategy and joint Climate change strategy. Energy policy and Carbon Management plan in development. Action plans prepared assigning tasks and targets to named officers, with timescales for delivery. Surrey wide climate change projects being developed through the Surrey Climate Change Partnership, to be assigned as and when appropriate. Environmental impact assessments completed. National Indicator 188 (climate change) no longer applicable and to be replaced, method of monitoring to be agreed by SCCP. Climate change impact reports will be used to identify key risks.  SDS Delivery Board set up to monitor the implementation of Sustainable Development strategy and related action plans including climate change measures. Meetings held every two months and minutes available.	LB/SM		Ongoing
<b>13. Financial</b>	Fraud / theft (income, assets, payments), resulting in financial losses and damage to reputation of authority.	All	3	<b>Controls:</b> Corporate Policies in place to help create a culture of honesty and ethical behaviour such as Whistle blowing, Anti-fraud and Corruption, employee Code of Conduct, gifts and hospitality, Register of Interest. Implications of Bribery Act (July 2011) being considered. Service risk assessments outlining control procedures and arrangements in place to prevent the risk of fraud or help detect it. Key controls include compliance with policies and procedures	Service Heads/ MAT		Ongoing

	In current economic climate, increased risk that individuals will be tempted to perpetrate fraud.			such as Fin Regs and CSO'S, management checks, segregation of duties, reconciliation processes for financial systems, good IT Security measures.			
<b>14. Technology/Infrastructure/Operations</b>	Failure in service delivery due to over reliance on individuals eg Housing Options, Revenue and Benefit system administrator roles.	All	3	<p><b>Controls:</b> In some services back up can be provided by other trained staff, documented procedures or support could be bought in. The Revenues aspect of Systems Admin is carried out by the Revenues Manager and will also be covered in the technical team within the new Customer Service structure, providing improved resilience. The Benefits aspect of Systems Admin is undertaken by the Revenues Manager, supported by the Senior HBO. Steria provide some back end support on systems admin for Revs and Bens.</p> <p><b>Action March 2011: Testing to be carried out to ensure Steria can undertake aspects of the system administrator role of the Revenues Manager, in order to provide back up within Revenues and Benefits as necessary.</b></p> <p><b>Action May 2011: The recent re-structure of Customer Services and new role of the Revenues Manager means that she will no longer have capacity to undertake the system administration role for benefits. This issue is currently being reviewed.</b></p>	TC/ LN / LB	July 2011	<b>Outstanding. May 2011: Testing has not been carried out to assess Steria back up arrangements as broader review underway. Treasury Accountant is providing support to the Housing Options Manager on the Northgate Housing system.</b>
<b>15. Regulation/Legal/Litigation</b>	Failure by County to address Spelthorne referrals relating to vulnerable children.	All	3	<p><b>Controls:</b> The Council has policy/procedures in place and all relevant staff have been trained. A meeting has been held between the ACX (LB) and Surrey County Council to discuss this issue, and the Leader has also met with the CX of Surrey County Council. The Housing Options Manager regularly monitors cases/referrals and reports any outstanding issues to SCC. Any concerns are brought to the attention of the Service Head. Regular meetings with SCC and joint training provided.</p>	LB/LS		Ongoing



<b>16. Financial</b>	Pressures on Housing Service as a result of changes in government policy to restrict housing benefit and general economic climate. Changes announced relating to the future administration of Housing Benefit may lead to staff seeking alternative jobs.	All	3	<p><b>Controls:</b> Service Heads/ MAT/Members aware of possible risks. Internal structures being reviewed.</p> <p><b>Action: Service Heads/MAT to monitor, evaluate performance and recommend changes in staffing requirements as appropriate.</b></p> <p><b>Action March 2011: In light of the future transfer of Housing Benefit administration to the DWP, as well as planned retirements within the service, the joint Heads of Housing Options to ensure adequate arrangements are in place for staff resilience within the interim period. It is acknowledged that there is still uncertainty as to future government plans.</b></p>	KS/DA/ MAT	July 2011	<b>Ongoing May 2011: Heads of Service continue to update MAT on any key changes in government Housing Benefit policy and implications for Service. Several reports have been issued covering HB staffing arrangements</b>
<b>17. Financial</b>	Reduction in service delivery and possible loss of internal control as a result of savings required to balance budget	All	3	<p><b>Controls:</b> Management is responsible for maintaining key internal controls regardless of resource levels. Any savings offered will be accompanied with summary of any associated risks.</p>	MAT/S ervice Heads		Ongoing.

*Reviewed May 2011*

## **AUDIT SERVICES ANNUAL REPORT**

**Audit Committee: 23 June 2011**

**Resolution Required**

**Report of the Head of Audit Services**

**REPORT SUMMARY**

### **How does the content 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 as a contribution to the proper, economic, efficient and effective use of resources.

### **Purpose of Report**

The report summarises work undertaken by Audit Services during the period April 2010 – March 2011 and provides an assurance opinion to support the Annual Governance Statement.

- Internal audit OPINION
- Annual Audit Report – 2010/11

### **Financial Implications**

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 note and approve the Audit Services' Report for the period April 2010 – March 2011, and the overall opinion on the Council's systems of internal control.**

**Contact: Deanna Harris, Head of Audit Services, 01784 446207**

**Portfolio Holder: Councillor Tim Evans**

## MAIN REPORT

### 1. BACKGROUND

- 1.1 Internal Audit is a statutory function and it is the responsibility of the Council to 'maintain an adequate and effective system of internal audit...'
- 1.2 The Audit Service is responsible for:
- a) Providing **assurance** to the authority that risk management processes, control systems, accounting records and governance arrangements are in place and operating properly.
  - b) Providing **advice** regarding risk, internal control and governance arrangements.
  - c) Assisting management in **assessment of risk**.
  - d) Undertaking special investigations as necessary.
  - e) Testing of financial and IT systems on behalf of external audit.
- 1.3 This report provides the Council with assurance on the adequacy of the Council's control environment.

### 2. KEY ISSUES

#### 2.1 OPINION

2.2 ***The overall opinion is that the Council's internal control environment is adequate and effective. This is based on the work undertaken by Audit Services during 2010/11 which is summarised in the report below.***

2.3 ***Any shortcomings identified with a significant level of risk attached have been reported to the Audit Committee and have been transferred onto the Council's Corporate Risk Register for quarterly monitoring. The following issues are outstanding at 31 March 2011:***

- a) *Management will need to continue to monitor the implications of the government's plans to reform the benefit systems, particularly on the demand for housing in Spelthorne and uncertainties for the housing benefit staff.*
- b) *Enhancing project management arrangements, particularly co-ordination and monitoring of the programme of key projects, should continue.*

#### 2.4 Planned Audits

2.5 Planned Audits completed during 2010/11 are listed below.

<b>Audit</b>	<b>Level of Audit Assurance* (Full/Substantial/ limited/ None)</b>	<b>Number of recommendations (Medium/high risk)</b>
Main Accounting	Substantial	To be confirmed
Treasury Management	Substantial	3

Cash Collection and Banking	Substantial	6 (low/medium)
Debtors	Substantial	To be confirmed
Creditors	Substantial	3
Housing Benefits	To be confirmed	26
Payroll/Human Resources	Substantial	11
Council Tax & NNDR	Substantial	0
ICT	Substantial	To be confirmed
Asset Register/Capital Accounting	Substantial	4
Programme and Project management	Limited	10
Streetscene	Substantial assurance in respect of key controls.	24
Housing Options	Substantial assurance in respect of the administration of service but some potentially high risks identified with service head which have been carried forward to Corporate Risk Register	24
Remote Working	N/A	8
Elections	Substantial	0 (1 low risk rec)
Planning	Substantial	0 (1 low risk rec)
Land charges	Substantial	0 (Issues identified by Audit but actions already in hand)
Corporate Governance	Substantial	6
Environmental Health and Building Control	Substantial	7
Independent living	Substantial	11
Insurance and Risk Management	N/A. Follow up review.	4 recommendations outstanding from previous review.

**ASSURANCE KEY:**

**Substantial Assurance - Definition**

While there is basically a sound system of control, there are areas of weakness which put some of the systems objectives at risk. However, either their impact would be less than critical or they would be unlikely to occur.

<b>Limited Assurance - Definition</b>
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Weaknesses in the system of controls which could have significant impact on the achievement of objectives.
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2.6 **Audit Work in Progress (March 2011)**

2.7 Leisure, procurement and finalisation of all financial / IT system audits.

2.8 **Audit Recommendations**

2.9 The Deputy and Assistant Chief Executives are responsible for monitoring outstanding audit recommendations. Any high risk related recommendations are transferred to the Corporate Risk Register and details reported quarterly to members.

2.10 **Other Audit Work**

2.11 Corporate Risk Management – see separate risk report. Audit provides advice to the Corporate Risk Management Group and co-ordinates the Council's corporate risk register. A presentation on Corporate Risk Management was made to Senior Managers (Managers Briefing).

2.12 Audit Committee – Preparation of reports, Management Team/committee attendance, various meetings, committee follow up action and correspondence.

2.13 Audit Partnership – Spelthorne continues to work in partnership with Elmbridge Borough Council and has developed close working with Woking Borough Council (WBC).

2.14 The sharing of Head of Audit services with Elmbridge and sale of IT audit expertise to Woking has generated £36k income in 2010/11.

2.15 Further partnership opportunities are being explored with other organisations.

2.16 A private firm has been contracted to undertake a small number of audit reviews at Spelthorne. The advantage of this approach is that audit resources will be available during the peak period, in-house staff will have access to high quality training and networking opportunities at no cost, and the partnership approach will enable a two way sharing of information. Costs are contained within existing budgets.

2.17 Corporate Working Groups – Auditors have attended the following groups providing corporate advice and assurance:

- a) Corporate Debt Working Group
- b) ISRG (Information Security Review Group)
- c) Information Management Group
- d) Performance Management Board
- e) Corporate Risk Management Group
- f) Finance Revenues Review Group
- g) UNI-form user Group

2.18 **Use of Resources** – The Head of Audit Services co-ordinated the Use of Resources (UoR) self assessment on behalf of the authority during 2010. The UoR was later withdrawn by the new government.

- 2.19 **Service Planning/Performance Management** –The Head of Audit has been a member of Performance Management Board contributing to new service planning and performance management arrangements.
- 2.20 **Doing things differently** – The Head of Audit has assisted in a project to deliver savings (£200k pa) through combining Customer and Revenue services.
- 2.21 **Corporate governance /Annual Governance Statement** – Audit reviewed CIPFA (Certified Institute of Public Financial Accountants) governance matrices which will be used to support the overall opinion on internal control and the Annual Governance Statement.
- 2.22 **Partnership** – The Head of Audit is taking over responsibility for overseeing corporate partnership initiatives and initial handover of work has commenced.
- 2.23 **Partnership risk assessments** – Assistance has been provided to service heads to risk assess Runnymede Borough Council partnership arrangements which have commenced recently including Human Resources, ICT and Asset Management.
- 2.24 **Advice**
- 2.25 Advice has been requested from all directorates on various risk and control issues including:
- Staffing/disciplinary matters
  - Single Person Discount Fraud Policy
  - Corporate Debt and Write Off policy
  - Thefts from offices
  - Housing benefit payments,
  - Petty cash
  - Green waste billing
  - Documentation retention
  - Parking Service issues
  - Spelride partnership with Elmbridge and liaison with software supplier regarding invoicing
  - Staines Market
  - structure reviews
  - Procurement
  - Savings initiatives
  - Business continuity planning
  - Disposal of equipment
  - Reconciliation exercises for financial systems
  - Contract documentation and
  - SharePoint.

## 2.26 **Special Investigations**

- 2.27 Internal Audit has not been required to undertake any special investigations during 2010/11. However, advice has been provided on a number of issues including scam emails coming into the authority, potential fraud on disabled facilities grant, housing benefit payment, parking and various other matters. Information relating to national frauds is circulated to managers for information.
- 2.28 The Audit Commission's report, 'Protecting the Public Purse: Fighting Fraud Against Local Government and Local Taxpayers' has recently been published. It reports on £135 million of fraud detected in 2009/10 in local government. The report specifically refers to frauds relating to housing tenancies, council tax discounts, housing and council tax benefits and procurement. As councils make significant cuts in budgets, it is essential they continue to maintain strong defences against fraud through zero tolerance policies, adequate deterrence and working with others to detect fraud.
- 2.29 The Council has an Anti Fraud and Corruption Strategy and various controls in place to reduce the risk of fraud. Auditors consider the risk of fraud during the course of each risk based audit undertaken which involves identifying the potential risk, reviewing and testing the extent to which the risk is being controlled.

## 2.30 **Miscellaneous**

- 2.31 The team spends time on various other duties including:  
Meetings (one-to-ones, appraisals, team, departmental, Senior Manager's Network, attendance at Management Team), training, liaison with external audit, budget monitoring, processing contract payment certificates and reviewing final contract payments, Service Planning, health and safety administration, updating audit recommendation database, liaising with other authorities to share best practice, Business Continuity, Surrey Benchmarking and various other tasks.

## 3. **OPTIONS ANALYSIS**

- 3.1 There are none.

## 4. **PROPOSALS**

- 4.1 There are none

## 5. **BENEFITS AND SUSTAINABILITY**

- 5.1 N/A.

## 6. **FINANCIAL IMPLICATIONS**

- 6.1 N/A

## 7. **LEGAL IMPLICATIONS / OTHER CONSIDERATIONS**

- 7.1 The Annual Audit Report demonstrates compliance with Local Government Act 1972 and Accounts and Audit Regulations.

## 8. **RISKS AND HOW THEY WILL BE MITIGATED**

- 8.1 Risks associated with individual audits are reported to management and escalated to the Corporate Risk Register/Audit Committee if significant.

Implementation of audit recommendations will reduce risks for the authority. All audit work is supported by detailed risk assessment.

## **9. TIMETABLE FOR IMPLEMENTATION**

9.1 N/A

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

**Background Papers: There are none**



## **ANTI FRAUD AND CORRUPTION STRATEGY**

**Audit Committee: 23 June 2011**

**Resolution required**

**Report of the Assistant Chief Executive**

### **REPORT SUMMARY**

#### **How does the content of this report improve the quality of life of Borough Residents**

Provides assurance that the Council's resources are protected through an Anti Fraud and Corruption Strategy.

#### **Purpose of Report**

To review the Anti Fraud and Corruption Strategy and to make recommendations for amendment if necessary.

#### **Financial Implications**

There are none.

#### **Corporate Priority**

The Anti Fraud and Corruption Strategy forms part of the Council's overall Corporate Governance arrangements and therefore supports all priorities.

#### **Officer Recommendations**

**Approve amendments to the Anti Fraud and Corruption Strategy and to recommend amendments to the Council.**

**Report Author: Deanna Harris, Head of Audit Partnership, telephone: 01784 446207**

**Area of Responsibility: Terry Collier, Assistant Chief Executive, telephone: 01784 446296**

**Cabinet member: Cllr Tim Evans**

## MAIN REPORT

### 1. BACKGROUND

- 1.1 In its guidance on Audit Committees, CIPFA recommends:
  - (a) 'Strategies to be overseen by the Audit Committee will include: .....anti-fraud arrangements, anti-corruption arrangements including the authority's whistle-blowing guidelines...'
- 1.2 In order to fulfil this requirement the work programme for the Audit Committee includes the review of the Council's Anti Fraud and Corruption Strategy. A review of the Council's Confidential (Whistle-blowing) Code was undertaken in November 2010.
- 1.3 The Anti Fraud and Corruption Strategy is a corporate document and therefore any recommendations for change should be submitted to the Cabinet. The strategy is reviewed annually.

### 2. KEY ISSUES

- 2.1 The Anti Fraud and Corruption Strategy is attached (**Appendix 1**).
- 2.2 The key elements of the Council's strategy to combat Fraud and Corruption are:
  - (a) An open and honest culture
  - (b) Adequate preventative measures
  - (c) Systems for detection and investigation
  - (d) Understanding and awareness within the Council of a "whistle blowing" policy.
- 2.3 **BRIBERY ACT 2010**
- 2.4 The main proposed change to the Anti Fraud and Corruption Policy is to reflect the Bribery Act which will come into effect 1 July 2011.
- 2.5 The Bribery Act 2010 reforms the criminal law to provide a new scheme of bribery offences and it will offer a more effective legal framework to combat bribery. It is applicable to private and public sector organisations.
- 2.6 The Bribery Act 2010 repeals the Public Bodies Corrupt Practices Act 1889, the Prevention of Corruption Act 1916 and sub sections 68 and 69 of the Criminal Justice (Scotland) Act 2003. However, the definitions within the Bribery Act 2010 are very similar to those for corruption so the objectives and aims of the Anti-Fraud and Corruption policy are not fundamentally affected.
- 2.7 The Bribery Act creates the following offences relevant to the Council:
  - (a) offences of bribing another person
  - (b) offences relating to being bribed
- 2.8 If the offence is proved to have been committed with the consent or connivance of a senior officer of the organisation, then the senior officer may be personally liable.

- 2.9 Penalties include criminal prosecution which carries a sentence of up to 10 years' imprisonment; organisations can receive an unlimited fine or face serious reputational damage.
- 2.10 Organisational procedures to prevent bribery should be proportionate to the bribery risks it faces and to the nature, scale and complexity of its activities. Guidance suggests organisations should carry out a risk assessment to identify where bribery could occur and ensure proportionate controls are in place.
- 2.11 The Anti Fraud and Corruption Policy attached to this report has been amended to incorporate the Bribery Act. Further amendments will be required to the Code of Conduct including Gifts and Hospitality policy, Declaration of Interests, recruitment procedures and the Council's procurement policies. These will be actioned by the Head of Corporate Governance.
- 2.12 An amendment has also been made to paragraph 15 of the attached policy relating to informing Cabinet members of disciplinary action taken and cases referred to the police.

### **3. OPTIONS ANALYSIS**

- 3.1 There are none.

### **4. PROPOSALS**

- 4.1 To amend the Anti Fraud and Corruption Strategy to reflect the new Bribery Act.

### **5. BENEFITS AND SUSTAINABILITY**

- 5.1 Please detail any relevant benefits and sustainability issues in support of the proposals.

### **6. FINANCIAL IMPLICATIONS**

- 6.1 N/A.

### **7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS**

- 7.1 There are none.

### **8. RISKS AND HOW THEY WILL BE MITIGATED**

- 8.1 The Anti Fraud and Corruption Policy forms part of the Council's overall Corporate Governance arrangements and is intended to assist in reducing the risk of fraud, bribery and corruption.

### **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 N/A

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

**Background Papers:  
There are none**

## **BOROUGH OF SPELTHORNE**

### **ANTI FRAUD, BRIBERY AND 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, bribery 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.

Bribery means – the offering, giving or soliciting of an inducement or reward which may influence a person to perform a function or activity improperly.

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 Rates payers, Service Users, the Audit Commission, the Local Government Ombudsman, Central Government, in particular, HM Revenue and Customs, the Department for Communities and Local Government, the Department for Work and Pensions and the Government Office for the South East [GOSE].
3. It also has External Auditors who advise whether the Council has in place adequate arrangements for the prevention and detection of fraud, bribery and corruption.
4. While this external scrutiny assists in protecting against fraud, bribery 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, bribery 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, bribery 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:

Chief Finance Officer (currently Terry Collier)	Responsible for the financial management, audit and financial probity of the Council and also for its proper personnel policies and practices.
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Monitoring Officer (currently Michael Graham)	Responsible for the legal probity and avoidance of maladministration or injustice by the Council.
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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.
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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, bribery and corruption is the responsibility of Members, Chief Executive, Deputy Chief Executive, Assistant Chief Executives, 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 1 October 2007 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, bribery and corruption are prevented.

The Chief Finance Officer has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper administration of the Council's financial affairs. Financial procedures detail key financial systems and provides guidance which underpins the Council's Financial Regulations.

Chief Executive, Deputy Chief Executive, Assistant Chief Executives, 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, bribery 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 Internal Audit Service.
15. The Council will deal with any instances of fraud or corruption swiftly. Disciplinary action will be taken if appropriate after the police have been informed/involved, and the relevant Cabinet Member informed where necessary. 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, Bribery 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.