

***PLEASE NOTE CHANGE OF
VENUE FOR THIS MEETING**

Please reply to:

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Our ref: GH/AUD
Date: 16 March 2011

NOTICE OF MEETING

AUDIT COMMITTEE

DATE: THURSDAY 24 MARCH, 2011

TIME: 7.30 PM

PLACE: *GODDARD ROOM, COUNCIL OFFICES, KNOWLE GREEN, STAINES

TO: ALL MEMBERS OF THE AUDIT COMMITTEE

M.T. Royer (Chairman)
M.L. Bouquet

H.R. Jaffer
L.E. Nichols
S.J. Rough

Mrs C. Spencer
H.A. Thomson

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.
- (h) To approve the annual Statement of Accounts.

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 9 December 2010 (copy attached).

4. CORPORATE RISK MANAGEMENT

To receive a report from the Chief Finance Officer (copy attached).

5. ANNUAL AUDIT SERVICES PLAN

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

6. INTERNATIONAL FINANCIAL REPORTING STANDARDS – UPDATE

To receive a verbal update from the Chief Finance Officer.

7. 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

9 DECEMBER 2010

Present:

Councillor M.T. Royer (Chairman)

Councillor M.L. Bouquet (Vice-Chairman)

Councillor Mrs C. Spencer

Apologies: Councillors H.R. Jaffer, L.E. Nichols, S.J. Rough and H.A. Thomson

361/10 MINUTES

The minutes of the meeting held on 16 September 2010 were approved as a correct record.

362/10 CORPORATE RISK MANAGEMENT

The Senior Auditor reported that the Corporate Risk Register had undergone its regular quarterly review and update by the Corporate Risk Management Group to ensure that actions were being taken to deal with the identified risks. Progress on actions had been documented on the Register. Two areas relating to service plans and risk documents had yet to be fully addressed. The revised Register was 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 audit's assessment of risk and the controls in operation.

RESOLVED that:

1. the contents of the updated Corporate Risk Register, be noted and accepted;
2. The Corporate Risk Register be recommended to Cabinet for approval.

363/10 INTERNAL AUDIT INTERIM REPORT

The Head of Audit Services presented her report which summarised the work undertaken by Audit Services during the period April 2010 to November 2010 and provided the Council with assurance on the adequacy of its internal audit systems of control. She responded to questions from Members. Members of the Audit Committee had been provided with access to the database of outstanding recommendations made by Audit Services as a result of completed audits.

RESOLVED that the Internal Audit Interim Report for the period April 2010 to November 2010, be noted and approved.

364/10 CONFIDENTIAL REPORTING CODE (WHISTLEBLOWING) POLICY

The Head of Audit Services submitted the Confidential Reporting Code (Whistleblowing Policy) which formed part of the Council's Constitution for

review. The Code 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 Council's intranet, a bright orange leaflet was posted on every internal notice board and regular reminders were given to staff of its existence.

RESOLVED to note and approve, without amendment, the Confidential Reporting Code (Whistleblowing Policy) as submitted

365/10 COMMITTEE WORK PROGRAMME 2010/11

The Committee considered its Work Programme for the remainder of 2010/2011 Municipal year.

RESOLVED that the Committee Work Programme for the remainder of the 2010/2011 Municipal year, be approved.

CORPORATE RISK MANAGEMENT

Audit Committee: 24 March 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: Councillor Malcolm Royer

Portfolio Holder: Councillor Vivienne Leighton

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 reported to MAT in February on the latest position.
- The Project Manager (Carol Sheridan) is assisting with the implementation of recommendations aimed at improving **project management** arrangements across the Authority.
- **IT Security** – Spelthorne were reaccredited with Government code of connection (standard 4.1) in December 2010 for a further year.
- The Gold corporate **Business Continuity plan** has been updated. An audit will be undertaken shortly of each service's Business Continuity plan by the Business Continuity forum.
- The **Borough Emergency centre plan** (operational approach) has been prepared 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.

- The general procedure document required to clarify health and safety responsibilities/arrangements where the authority **leases assets** has been updated to incorporate comments from the Corporate Risk Management Group.
- Risks relating to the **HR partnership** with Runnymede Borough Council have been identified and reviewed on a standard template.

2.3 The following areas have not been fully addressed:

- (a) The **Emergency Plan** (strategic approach) has not been updated since the Emergency Planning Officer was previously in post and a corporate desktop training/test exercise was last held in December 2009. Therefore an action point has been included under part 6 of the Risk Register. It is acknowledged that the Emergency Planning Officer is due to take part in a national exercise in March, after which it may be timely to update the Emergency Plan and consider scope for corporate training/testing including use of rest centres.
- (b) **A risk assessment** has not been prepared for the Asset Management **partnership** with Runnymede Borough Council. A standard template prepared by Audit Services has been issued to assist managers in identifying and assessing risks relating to partnerships. Some examples to consider include poor contract agreements resulting in disputes and escalated costs, lack of clarity over roles and responsibilities, partner failing to deliver desired outcomes, poor performance management, failure to collect monies due, failure to obtain buy-in from staff/Senior Management/Members, failure to develop and maintain partnerships. (See part 10 of the Risk Register).
- (c) 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. However such arrangements have not been tested within Revenues and Benefits, and therefore a further action point has been included under part 14 of the Risk Register.

2.4 Some new actions have been added to the register to mitigate risks as follows:

- (a) The Council to consider the potential **health and safety risks** of reduced spend on building maintenance as identified by the Head of Asset Management ie, injury or fatality to public leading to claims and legal action against the Council, and prioritise spending on planned maintenance accordingly. This issue relates to all Council owned buildings including for example, Ashford Car Park. (See part 8 of the Risk Register – Regulation/Legal/Litigation).
- (b) In light of the future transfer of Housing Benefit administration to the DWP and the potential increase in staff seeking alternative jobs, 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. (See part 16 of the Risk Register – Financial).

3. OPTIONS ANALYSIS

Either:

1. To note and accept the contents of the Corporate Risk Register including the new actions 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 – 2010/11 QUARTER 4**

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)

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
1. Technology/ Infrastructure /Operations	Failure to align service objectives to corporate aims	All	3	Controls: Service plans are derived from Community and Corporate Plans. Action: All Service Plans require updating annually and need to reflect corporate priorities.	Service Heads	March 2011	Some. March 2011: One service plan remains outstanding. A report has been issued to MAT (15.2.2011) summarising the latest position.
2. Technology/ Infrastructure /Operations	Failure of projects due to poor project management arrangements.	All	3	Controls: 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. Actions: Review corporate reporting and management of projects; allocation of responsibilities and resources; corporate guidance; business case preparation and post implementation reviews.	MAT		Ongoing
					MAT/ DV/CS	April 2011	March 2011 : The Project Manager is assisting in implementing recommendations and has liaised with MAT on areas to be addressed.

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>Controls: 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 successfully carried out in June 2010.</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>Controls: COCO review group assess compliance with the Code of Connection Successfully passed security requirements of the Government Code of Connection and re-accredited for a further year (Dec 2010). New firewall been installed. Independent health check completed in October 2010 and actions are being 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	Owner-ship	Target Date	Progress
4. Financial	Poor return on long term investments /investments insecure in current climate.	All	3	<p>Controls: 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>Controls: The Health and Safety Officer chairs the gold corporate Business Continuity group under the guidance of the ACX (Brian Harris). 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 to be issued to all Service Heads in order to seek assurance that plans are fit for purpose and being regularly tested.</p>	Service Heads/ MAT /SM		<p>Actioned/ Ongoing. March 2011: The Gold corporate Business Continuity plan has been updated.</p> <p>Business Continuity Forum will be auditing BC Plans by June 2011.</p>
				<p>New website being 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>Action: The Authority must ensure the plans are fully communicated, tested and updated regularly.</p>	Service Heads/ MAT/ SM	Annual/ ongoing	
6. Environment	Disaster- major in borough, e.g. pandemic influenza, resulting in inability to provide services	Environment	4	<p>Controls: 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. Risk assessments completed and major incident flood plan</p>	LB/SM	Annual/ Ongoing	<p>Some / Ongoing. March 2011: Borough Emergency Centre Plan approved by MAT</p>

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
				<p>been submitted to Surrey Local Resilience forum. Advice and training provided by Surrey Local Resilience forum and the PCT.</p> <p>Action March 2011: The Borough Emergency Plan (strategic approach) requires updating. Following this a corporate training exercise should be scheduled.</p>		May 2011	Emergency Planning Officer is training individual officers in new roles. Emergency Plan review will take place after national emergency planning exercise in March.
7. Environment	Uncertainty surrounding the financial /other consequences of contaminated land	Environment	4	<p>Controls: Legal duty to inspect land and prioritise action Progress reports issued to MAT outlining financial and other risks</p> <p>Action: A separate risk assessment is required to address contractual, financial/resources and legal/regulatory risks. Controls to reduce risks associated with potential lack of resources to undertake further detailed site investigations should be identified.</p>	LB/LO	Annual/ongoing	Actioned/Ongoing. March 2011: Risk assessment to be reviewed every two years (next due Sep 2011), or earlier if necessary.
8. Regulation/ Legal / Litigation	Health and Safety failing resulting in death or serious injuries to staff/public and legal action	All	4	<p>Controls: Managers responsible for conducting regular risk assessments Induction training for staff and policies clarify responsibilities Health and Safety Officer in post and reports relevant issues/legislation to Executive, MAT, CRMG, all staff, e.g. Corporate Manslaughter act and associated risks.</p>	DP	Aug 2010	Actioned/Ongoing. March 2011: The general procedure document has been

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
	against the Council e.g Injury or fatality to public arising from reduced maintenance of buildings and facilities, leading to claims.			<p>Contract let to manage Legionella and progress reported to AMG and MAT as appropriate. Information held on the Council's SHE system for ongoing mgt by Health & Safety Officer and Asset Mgt.</p> <p>Action: Procedure document required to clarify health and safety responsibilities/ arrangements where the authority leases out assets.</p> <p>Action March 2011: The Chief Executive to consider the potential health and safety risks of reduced spend on building maintenance as identified by the Head of Asset Management , and prioritise spending on planned maintenance accordingly.</p>	CX (RT)	May 2011	updated to incorporate comments from the CRMG.
9. Regulation/ Legal / Litigation	Failure to comply with employment legislation or statutory duty leading to possible compensation (unlimited), damage to reputation, Legal costs and significant officer time.	All	3	<p>Controls:</p> <p>Human Resources identify new employment legislation HR provide staff guidance on new/existing legislation and arrange training to ensure compliance, although the HR partnership with Runnymede has led to a reduction in professional HR support which could impact on the ability to identify and deal with employment law issues (see risk 10 below – partnerships).</p> <p>Clear documented processes exist for Recruitment and Selection, and Managers Briefings provide opportunity to promote corporate procedures.</p> <p>Equality and Diversity working group set up and training provided to all staff.</p>	Service Heads/ JH/ MAT		

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
10. Partner/ Contractor/ Commercial	Failure to obtain vfm / lack of transparency in awarding contracts	All	3	Controls: Performance measures in place and contractual safeguards - Management responsibility. Review of strategic and internal partnerships Contract guidelines (simplified version of CSO'S 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 Procurement Officer in post (shared resource)			
	Contractual disputes and potential claims through poor documentation. Weak contract management resulting in Contractors/partners failing to deliver expected outcomes Weak partnership governance arrangements			Action: Risks relating to individual partnerships to be identified and reviewed, e.g. Asset Management partnership with Runnymede Borough Council.			
	Suppliers/ contractors go out of business, affecting the completion of contract works/service delivery, and ability to pay	All	3	Controls: Financial Services monitor the financial media in relation to larger companies and critical commercial partners that the authority engages with.	Service heads/MAT/TC		Ongoing.

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
	business rates.						
11. Economic/Social	Service planning difficulties due to changes in economic and social conditions beyond Council's control	Environment/Economic Development	3	Controls: Long term strategic planning Corporate and community plans linked to service plans New corporate priority themes	SM/BC		Ongoing
12. Environment	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	Controls: Sustainability and Climate change strategy. Action plans prepared assigning tasks and targets to named officers, with timescales for delivery. Surrey wide climate change projects being developed, to be assigned as and when appropriate. Environmental impact assessments completed. National Indicator 188 (climate change) no longer applicable and to be replaced. Scope to access work undertaken by Kent and Hampshire on climate change, and feed into strategy. Climate change impact reports will be used to identify key risks. Delivery board set up to monitor implementation of sustainability strategy and climate change measures. Meetings held every six weeks and minutes available.	LB/SM		Ongoing

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
13. Financial	<p>Fraud / theft (income, assets, payments), resulting in financial losses and damage to reputation of authority.</p> <p>In current economic climate, increased risk that individuals will be tempted to perpetrate fraud.</p>	All	3	<p>Controls: 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 .</p> <p>Service risk assessments outlining control procedures and arrangements in place to prevent the risk of fraud or help detect it.</p> <p>Key controls include compliance with policies and procedures such as Fin Regs and CSO'S, management checks, segregation of duties, reconciliation processes for financial systems, good IT Security measures.</p>	Service Heads/MAT		Ongoing
14. Technology/Infrastructure/Operations	Failure in service delivery due to over reliance on individuals eg Housing Options, Revenue and Benefit system administrator roles.	All	3	<p>Controls: In some services back up can be provided by other trained staff, documented procedures or support could be bought in.</p> <p>Action March 2011: Testing to be carried out to ensure Steria can undertake the system administrator role of the Revenues Manager, in order to provide back up within Revenues and Benefits as necessary.</p>	TC/LN / LB	May 2011	Some. March 2011: Measures have been introduced to provide back up in key service areas, although this has not been tested eg for Revenues and Benefits. The Treasury Accountant is providing support to the Housing Options

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Owner-ship	Target Date	Progress
							<i>Manager on the Northgate Housing system.</i>
15. Regulation/ Legal/ Litigation	Failure by County to address Spelthorne referrals relating to vulnerable children.	All	3	Controls: 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.	KS/DA		Ongoing
16. Financial	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	All	3	Controls: Service Heads/ MAT/Members aware of possible risks. Internal structures being reviewed. Action Aug 2010: Service Heads/MAT to monitor, evaluate performance and recommend changes in staffing requirements as appropriate. 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.	KS/DA/ MAT	31 Oct 2010	March 2011: Awaiting response re action raised in Aug 2010. March 2011: MAT report detailing HB staffing arrangements

Appendix 1

Risk Category	Risk/Consequences	Corp Priority	Level Of Risk	Control / Action	Ownership	Target Date	Progress
	seeking alternative jobs .						
17. Financial	Reduction in service delivery and possible loss of internal control as a result of savings required to balance budget	All	3	<p>Controls: ACX/MAT/Members aware of savings although these may change. Progress is being made to identify savings.</p> <p>A programme involving prioritisation of discretionary services and service review is currently under consideration. Management is responsible for maintaining internal controls. Any savings offered will be accompanied with summary of any foreseen associated risk.</p>	MAT/Service Heads		Ongoing.

Reviewed March 2011

AUDIT SERVICES – ANNUAL PLAN 2011/12

Audit Committee: 24 March 2011

Report of the Head of Audit Services

Executive Summary

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

The Audit Plan demonstrates how the service will provide independent assurance to the organisation on the control environment which helps to ensure the proper, economic, efficient and effective use of resources.

Purpose of Report

This report summarises the work planned by Audit Services during 2011/12.

Key Issues

Details of planned audit work for 2011/12 is attached (Appendix 1).

Financial Implications

None

Corporate Priority

The work of Audit Services supports all corporate priorities.

Officer Recommendations

The Audit Committee is asked to note the work plan (2011/12) for Audit Services.

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

Portfolio Holder: Councillor Vivienne Leighton

MAIN REPORT

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations require local authorities to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices'. The Annual Plan demonstrates how the authority will fulfil this requirement in accordance with the Code of Practice for Internal Audit (Chartered Institute of Public Finance and Accountancy).
- 1.2 The plan ensures all auditable areas are identified, prioritised and sufficient time allocated to carry out the work. The plan is supported by risk assessments undertaken for each service during the year and other factors such as value/volume of transactions, known system weaknesses etc.
- 1.3 The Annual Plan is finalised after consideration of risks and consultation with senior management. It also reflects the requirements imposed by external audit.
- 1.4 Audit projects are allocated to individual auditors who carry out the work and report back to management on their findings. Regular reports summarising the work of the service are prepared for Management Team and Audit Committee.
- 1.5 The plan is regularly reviewed by the Head of Audit Partnership.

2. KEY ISSUES

- 2.1 A copy of the Annual Audit Plan Summary (2011/12) is attached (Appendix 1).
- 2.2 Part 1 of the document shows the scope of audit work ie assurance (including testing), work completed on behalf of external audit, corporate work and advice. Approximately 30% of available time is set aside for contingency. This time is then allocated to special investigations and other unplanned work as it arises.
- 2.3 Part 2 shows the actual work planned during the year. Risk assessments will be updated for each service, corporate projects including new systems will be reviewed and previous recommendations will be followed up.
- 2.4 In addition to the audit projects identified, assistance will be given to support corporate issues such as information security, partnership development and corporate risk management.
- 2.5 The internal audit team works in partnership with Elmbridge and Woking Borough Councils. Some of the work will be delivered jointly by auditors employed by those authorities.

3. OPTIONS ANALYSIS

None

4. PROPOSALS

None

5. BENEFITS AND SUSTAINABILITY

N/A

6. FINANCIAL IMPLICATIONS

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.

8. RISKS AND HOW THEY WILL BE MITIGATED

8.1 The Audit Plan is informed by the authority's risk management process and other issues such as volume/value of transactions, and previous audit findings. Significant risks identified by audit are reported to the Audit Committee on a quarterly basis. Implementation of audit recommendations will reduce risks for the authority.

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

Background Papers:
There are none

SPELTHORNE AUDIT SERVICES

ANNUAL AUDIT PLAN SUMMARY – 2011/12

1. **Scope of Audit Work**

1.1 Assurance

Audit provides independent **assurance** that risk management processes, control systems, accounting records and governance arrangements are in place and operating properly. Audit use a risk based approach to identify controls which reduce risks. These risk assessments are also used to determine the nature and level of testing required in each area.

Audit Services also review projects, corporate risks, new systems/procedures, IT developments, introduction of new legislation etc. The level of audit input will be determined by assessed risks.

1.2 Work undertaken on behalf of external audit

Audit Services review and test all the authority's main financial systems and ICT controls on behalf of external audit.

1.3 Advice

Audit provides advice on financial procedures, compliance with Contract Standing Orders, Financial Regulations and other governance arrangements.

1.4 Contingency

Unplanned audit work including special investigations, management request for assistance, additional time required on planned audits if weaknesses identified etc.

1.5 Corporate Work

Assistance with corporate issues such as information security, Corporate Governance arrangements and savings initiatives. Audit supports management in the corporate risk management process.

Whilst auditors are well placed to undertake corporate projects and other co-ordinating roles, it is important that audit independence is not compromised by excessive involvement in non-audit work.

2. Planned Audit Work Summary – 2011/12

2.1

Audit Category: **Assurance**

Areas to be

Audited:

All Services

Corporate systems, risks and projects

Corporate Systems: Performance management, project management, business continuity, corporate governance, mobile working and information management.

Corporate Risks: ICT security, financial/economic climate, Emergency Planning, Contaminated Land, health and safety, contract management, service planning/corporate planning, fraud, impact of housing benefit changes, partnerships and organisational change.

Corporate Projects: Area regeneration, new waste systems, vehicle acquisition, Web development, new HR system, SCC arrangements for verge maintenance and parking, mobile working, Customer Relationship Management, Sharepoint, ICT contract, service reviews and any other corporate project with perceived risks.

Audit Objectives: Review risk registers/assess risks.
Carry out testing identified by the risk assessment.
Follow up previous recommendations.
In the current climate more emphasis will be placed on value for money, fraud, transparency and service continuity related risks.

2.2

Audit Category: **Work on behalf of external audit**

Systems to
be audited:

Main Accounting, Payments, Debtors, Cash and Bank, Payroll, Housing Benefits, Council Tax, NNDR, Capital Accounting, Loans / Investments and ICT.

Audit Objectives: Complete documentation and testing of systems as directed by external audit. Follow up previous recommendations.

2.3

Audit Category: **Advice**

Services: All – as necessary

Audit Objectives: Provide advice and ensure that all relevant risks are considered.

2.4

Audit Category: **Contingency**

Services: All – as necessary

Audit Objectives: Undertake any ad hoc work and special investigations.

2.5

Audit Category: **Corporate Work**

Services: All/Corporate

Audit Objectives: Assistance/advice on the following corporate issues:

- Corporate Risk Management – assist the Risk Champion to co-ordinate authority's risk management arrangements.
- Corporate Governance – contribute to the review of corporate governance arrangements and provide an opinion to feed into the Annual Governance Statement
- Partnership developments across the authority (new role for Head of Audit Partnership).
- Savings initiatives – assist in the Customer Services project and any new initiatives as necessary.

Deanna Harris
Head of Audit
March 2011

IFRS UPDATE FOR AUDIT COMMITTEE

Major areas which have been undertaken as part of the work are the restatement of the 2009/10 figures predominantly relating to the revaluation and accounting description of fixed assets held, the classification of leases held by and for the Council, the calculation of an accumulated absences accrual plus the complete transformation of the how the Statement of Accounts publication will look which includes new formats, new accountancy regulations and the revised core statements layout and disclosure.

External Audit are coming in on the 18th April to assess what has been completed so far, check the restated balances calculations, check the assumptions that we have made, ensure that the transition is progressing along the lines that they would expect to see and discuss any areas of work that the Council intends to do which has not been completed yet so that we do not take wrong assumptions which will impact on them doing the 10/11 statement of accounts audit. The audit itself is currently planned to take place for 3 weeks commencing 25th July

Work is proceeding but because the technical guidance was not released until later than originally expected it meant that work was slower in getting started and the additional resource has been obtained to assist in bringing the project back on line.

A new asset management system has been purchased from CIPFA and an additional part time resource has been acquired to do the clerical side of the new accounting requirements and statement of accounts production. Team of 3 are doing the main technical areas and a draft timetable has been completed for the rest of the section plus other areas which have an impact on producing the statements.

There is currently a consultation document out which outlines possible changes in the reporting of statement of accounts and if agreed by 31 March will mean that there is no requirement to take draft statements to committee in June giving an additional couple of weeks for them to be completed and that the CFO just needs to sign off the accounts by that date to meet the new regulations. The audited statements still have to be signed off by 30th September.

Courses have been attended by the 3 main members of the statement of accounts team which have been a useful guide to what is required and where we are in comparison to other authorities. On April 7th the CFO and the other 2 Accountants are attending a seminar about the implementation of IFRS.

The Audit Commission have produced 2 papers on IFRS in local Govt detailing general progress on its implementation and a checklist for Members on the main things that should be considered – copies of both papers are being provided tonight for information. It is also currently planned that the Committee in June will be given a training session on the new IFRS Statement of Accounts requirements and what the main requirements of an Audit Committee should be when considering and interpreting a statement of accounts.