

Please reply to:

Contact: Gill Hobbs
Service: Corporate Governance
Direct line: 01784 446405
Fax: 01784 446333
E-mail: g.hobbs@spelthorne.gov.uk
Our ref: GH/AUD
Your ref:
Date: 18 March 2009

NOTICE OF MEETING

AUDIT COMMITTEE

DATE: THURSDAY 26 MARCH, 2009

TIME: 7.30 P.M.

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

TO: ALL MEMBERS OF THE AUDIT COMMITTEE

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

M.J. Collis
L.E. Nichols
E. O'Hara

S.J. Rough
H.A. Thomson

EMERGENCY PROCEDURE

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

THE LIFT MUST NOT BE USED

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

RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose

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

Core Functions

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

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

Apologies have been received from Councillor E. O'Hara. To receive any other 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 27 November 2008 (copy attached).

4. MATTERS ARISING FROM THE MINUTES

a) *Min 352/08 relevant managers to be advised of the Committee's concern at outstanding high risk recommendations.*

The Head of Audit Services will verbally update the Committee at the meeting.

b) *Min 352/08 Head of Audit Services to report back to the Committee on the authorisation arrangements for procurement by officers.*

The Head of Audit Services will verbally update the Committee at the meeting.

If a Member wishes to raise an issue arising from the minutes of the meeting held on 27 November 2008 (copy attached) please notify the Chairman prior to the meeting.

5. CORPORATE RISK MANAGEMENT

a) To receive updates from

- i) the Head of Environment Services on the findings from the Parking Services risk assessment (Briefing Note A attached)
- ii) the Head of Environmental Health and Building Control Services on the issues surrounding risk assessments of contaminated land sites (Briefing Note B attached)

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

6. QUARTERLY AUDIT AND RISK REPORT

To receive a report from the Assistant Chief Executive (copy attached).

7. AUDIT SERVICES ANNUAL PLAN 2009/10

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

8. ANTI-FRAUD AND CORRUPTION STRATEGY

To receive a report from the Assistant Chief Executive (copy attached).

9. ANNUAL AUDIT AND INSPECTION LETTER AND EXTERNAL AUDITORS' ANNUAL EXTERNAL AUDIT REPORT

To receive the Audit Commission's draft Annual Audit and Inspection Letter and the External Auditors' Annual External Audit Report (copies attached). The final version of the letter will be available after 31 March.

10. COMMITTEE WORK PROGRAMME 2009/10

The Committee is requested to consider and approve its work programme for 2009/10 (copy attached).

MINUTES OF THE AUDIT COMMITTEE

27 NOVEMBER 2008

Present:

Councillor M.T. Royer (Chairman)

Councillors:

M.L. Bouquet

L.E. Nichols

M.J. Collis

H.A. Thomson

Apologies: Councillor E. O'Hara

347/08 MINUTES

The minutes of the meeting held on 4 September 2008 were approved as a correct record.

348/08 ELECTION OF CHAIRMAN

Following the resignation of Councillor J.D. Pinkerton as Chairman of the Audit Committee, it was

RESOLVED that Councillor M.T. Royer be appointed Chairman for the remainder of the Municipal year.

349/08 MATTERS ARISING FROM THE MINUTES

Minutes 205/08 and 270/08 – Update on PCNs

The Head of Environment Services attended the meeting to explain why inaccurate information was passed by the Parking Services Manager to Audit in 2007. She reported that there had been problems with the Parking Charge Notices (PCNs) software, which had also been experienced by other authorities.

She explained that information on unpaid PCNs was provided in good faith as the system appeared to be working but due to failure to fully understand the issues with the software, it was only subsequently discovered to be incorrect. This error should have been reported to appropriate officers. There were still difficulties with the software but they were being overcome and the Head of Audit Services was satisfied that the problem had been resolved.

As a result of the problems in transmitting unpaid PCNs to the Traffic Enforcement Centre the Council had to write off 140 PCNs at a value of £95 each, totalling £13,300. Since the system had become operative, £1758.84 had been recovered.

Minute 271/08 – Council responses on External Auditor recommendations

The Assistant Chief Executive reported that the Council had agreed to implement all 10 of the External Auditor's recommendations relating to financial accounting issues.

He was awaiting confirmation from KPMG that they were happy with the Council's responses, which were available for Members to view if they wished. KPMG would

be attending the Audit Committee meeting in March 2009, when Members could ask any questions arising from the recommendations or responses to them.

**350/08 ALTERNATE WEEKLY COLLECTION PROJECT RISK
MANAGEMENT PROCESS**

At its March 2008 meeting the Audit Committee asked to see an example of a major project the Council had undertaken, in order to follow the Risk Management Process and agreed at its June 2008 meeting to receive such a presentation on the Alternate Weekly Collection project.

The Head of Environment Services gave a brief presentation on the process, which had involved a lot of work in a short timescale.

A Programme Board was set up which issued monthly “flash” reports covering the risks and issues raised at each point in the process. Solutions and controls were agreed at these meetings. Weekly project and communications meetings also covered the risks and issues in detail, on each area of the project.

A Risk and Service Overview was put together by internal audit to help ensure that all the key risks were covered centrally.

A Communications Plan was drawn up which gradually ramped up the level of detail being published to help mitigate residents’ concerns and potential lack of participation in the scheme. In addition, officers accompanied crews on their rounds to address problems swiftly. As a result, there were considerably less calls into the Council’s customer services centre than other authorities had experienced.

351/08 EMERGENCY PLANNING - TESTING

Arising from Members’ request at the September 2008 meeting, the Head of Environment Services gave an outline of a number of work streams underway on emergency planning, based on the Council’s duties under the Civil Contingencies Act 2004. A corporate Emergency Planning Exercise, which was a well used and effective tool for testing arrangements and based on guidance from the Cabinet Office, was scheduled for December 2008. The exercise was being developed in conjunction with Surrey County Council Contingency Planning Unit.

The Council had taken part in a Multi Agency Pandemic Flu exercise and two COMAH (Control of Major Accidental Hazards) exercises, one of which was a live test in partnership with the Fire Service. Other exercises were planned for 2009, including an ‘Emergency Control Room’ test and a Rest Centre exercise.

She gave information on other areas of emergency planning work including the Flood Plan, Flood Fair, Pandemic Influenza Plan, Communications Plan, Business Continuity Forum, Incident Liaison Officers and the Fuel Crisis.

Partnership working across Surrey was constant and officers also had ties with Richmond, Kingston, Windsor and Maidenhead, Hounslow, GOSE, the Cabinet Office and Heathrow emergency planning.

352/08 AUDIT SERVICES QUARTERLY REPORT

The Head of Audit Services presented her report which outlined the work undertaken by Audit Services during the period July 2008 – September 2008 and responded to questions from Members. She highlighted significant areas of the report including review of Parking Services risk assessment, review of tendering process for planned maintenance contract and internal audit partnership.

Following a request from Members at the last meeting, the Head of Audit Services reported on statistics relating to audit recommendations issued, implemented and outstanding. Details of the nine outstanding high risk recommendations were available on the new recommendation database.

The Audit Committee was concerned that there were as many as nine high risk recommendations outstanding and requested that their concern, and the need for outstanding issues to be addressed without further delay, be communicated to the relevant managers.

Following a review of the Parking Services risk assessment, Audit reported findings on which they had concerns, to senior management. In view of the number of issues highlighted in the report, Members requested an update from the Head of Environment Service at the next meeting.

In response to the issue of officer compliance with Contract Standing Orders, which was raised as an issue in several different service areas, Members sought assurance from the Head of Audit Services that she was satisfied with the authorisation arrangements for procurement by officers. She agreed to report back to the Committee on the procurement function at the next meeting.

RESOLVED that:

1. the Audit Services' Report for the period July 2008 – September 2008 be noted and approved;
2. relevant managers be advised of the Committee's concern at the outstanding high risk recommendations, which needed to be addressed without further delay;
3. the Head of Environment Services be asked to update the Committee on the findings from the Parking Services risk assessment, at the next meeting;
4. the Head of Audit Services report back to the Committee at its next meeting on the authorisation arrangements for procurement by officers.

353/08 CORPORATE RISK MANAGEMENT - REVIEW

The Senior Auditor reported that the Corporate Risk Register had undergone its quarterly review and update by the Corporate Risk Management Group to ensure actions were being taken on identified risks.

The revised register was considered to be an accurate reflection of the high level risks affecting the authority. Progress on actions proposed had been made in a number of areas and further actions had been proposed in some areas to improve

controls. She gave details of those areas where risks had not yet been fully addressed.

Members expressed concern that the risk assessment for contaminated land sites had been outstanding for over a year awaiting government guidance on the review of soil guideline values. A Member asked for the position to be clarified as they believed the government had given authority to Borough Council's to make their own decisions concerning contaminated land sites. The Senior Auditor advised that progress on this matter, as shown on the Risk Register, reflected the position at the time the report was written. The Committee requested that the Head of Environmental Health and Building Control Services be asked to attend the next meeting of the Committee to clarify this issue.

In response to a comment from a Member, the Head of Audit Services agreed that there were legal implications as a result of some of the risks identified and that these needed to be reflected in the report. This would be taken into account in future.

RESOLVED:-

1. that the contents of the Corporate Risk Register be noted and approved; and
2. that the Head of Environmental Health and Building Control Services be asked to attend and clarify the issues surrounding risk assessments of contaminated land sites, at the next meeting of the Committee.

354/08 CONFIDENTIAL REPORTING CODE (WHISTLEBLOWING POLICY)

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

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

In response to a question from a Member the Head of Audit Services agreed to confirm whether the policy was in compliance with changes to the law around the statutory nature of grievance.

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

355/08 COMMITTEE WORK PROGRAMME 2008/09

The Committee considered its Work Programme for the remainder of 2008/09 Municipal year. Issues raised at this meeting would be incorporated into the programme.

Members requested that Heads of Service, who had been asked to attend the Committee to report/update on issues raised, provide a briefing paper for circulation prior to the meeting.

AUDIT COMMITTEE, 27 NOVEMBER 2008 - Continued

RESOLVED that

1. the Work Programme as submitted and amended be approved.
2. Heads of Service who had been asked to attend Committee to report /update on their area, be asked to provide a briefing paper for circulation prior to the meeting.

BRIEFING NOTE - UPDATE ON PARKING SERVICES

AUDIT COMMITTEE: 26 MARCH 2009

The issues reported in relation to Parking Services on 27 November have been addressed through a management action plan.

The key issues and actions are as follows:-

- a) Approval for a contract for pay and display machines not following standing orders. Addressed through retrospective Executive approval (February 09)
- b) Failure to comply with standing orders - dealt with by disciplinary action
- c) PCNs and provision of inaccurate information - updated Audit Committee on 27/11/08 and dealt with by disciplinary action. Also the software system employed to action the passing of unpaid PCNs to the Traffic Enforcement Centre is now working successfully and consistently.
- d) Monitoring and Health and Safety procedures tightened - autumn 2008
- e) Risk Assessments completed September 2008
- f) Training for Civil Enforcement Officers under TMA - quotes sought from relevant training organisations, but Surrey wide training does not seem to be moving forward so looking at independent suppliers to ensure training completed within the Traffic Management Act timetable.
- g) Staffing - reviewed costs. Currently vacancies for 3 CEOs – decision made to employ temporary staff until Surrey CC have completed their review of civil parking enforcement and SBC know future direction and implications of Surrey's decisions as a result of the review.
- h) CPZ - Surrey have just approved (Local Committee 16.3.09) and will therefore pay for 3 zones in Staines to have resident's/controlled parking.
- i) Payment by mobile phone – a report was written in 2008 suggesting a change in contractor but as a result of investigations it was considered more appropriate to stay with the current contractor.

BRIEFING NOTE - CONTAMINATED LAND

AUDIT COMMITTEE: 26 MARCH 2009

Denman Drive

Phase 3 of the site investigation is currently being carried out. It is intended that this will be the final stage of on-site intrusive part of the site investigation. The site investigation contract was awarded to Atkins Environmental who specialise in contaminated land investigation.

The remaining steps of Phase 3 are as follows: -

- a) March 2009 - Laboratory analysis of samples
- b) March to July 2009 - Atkins to assess the results and provide a report to the Council of their findings. An independent review of the report will also be carried out
- c) July - Reporting of findings, and next steps as maybe necessary, to Executive / Councillors
- d) July to August 2009 – Council to liaise with residents over results for their property

Defra Funding - To date, Executive has agreed £192,004 (Capital) for this site investigation through phases 1, 2 and 3. This amount has offset by grants totalling £207,089 awarded to the Council from DEFRA for the costs of phases 1, 2 and 3 of the site investigation.

Assessment of risks associated with the Councils contaminated land activities

Between April and end of June 2009 we are planning to work with the Audit team in risk assessing the Council's activities associated with land contamination. Within the short to medium term, only a short window of opportunity exists to carry this risk assessment work out. This is due to limitations on staff resources available to work on the risk assessment once the Denman Drive site investigation is back with the Council to take forward.

Update on some of the risks associated with contaminated land

- **Soil guideline values** - The review is now complete. Fundamental changes have been made to the Contaminated Land Exposure Assessment (CLEA) model. The position of the SGV is now clarified; they are screening values.
- **Definition of "contaminated land"** - This requires the local authority to carry out a detailed quantitative risk assessment to see if there is a "significant possibility of significant harm" (SPOSH) to human health or other receptor.
-

AGENDA ITEM 5a) ii)

BRIEFING NOTE: B

- **Defra Funding** – harder to obtain. Soil sampling now a requirement for submission for first funding. Greater number of LA's applying. No guarantee of year on year funds available (Defra is under financial pressure).
- **Potentially contaminated sites** – Large number of potential sites, number requiring intrusive investigation is unquantifiable at present.
- **Loss of key members of staff** – Three officers within Pollution Control, currently down to two. Management Team have given approval to employ a consult to this position while the Pollution Control officer is on her 1-year maternity leave. We are currently in the process of recruiting to the temporary position.

CORPORATE RISK MANAGEMENT
AUDIT COMMITTEE: 26 MARCH 2009
EXECUTIVE: 21 APRIL 2009
Recommendation Required
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 revised Corporate Risk Register and proposed actions for improvement.

Key Issues

- The Corporate Risk Register has been reviewed and updated.
- Progress on actions proposed at the last/prior review has been documented on the register.
- Further actions have been proposed in the register to mitigate risks as far as possible.

Financial Implications

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

Corporate Priority

All corporate priority themes.

Officer Recommendations

The Audit Committee are asked to note and accept the contents of the Corporate Risk Register and recommend it to Executive for approval.

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

Lead Member: Councillor M. T. Royer

Portfolio Holder: Councillor Michel Bouquet

MAIN REPORT

1. BACKGROUND

- 1.1 The Council's Risk Management Policy/Strategy was approved by the Executive in 2002.
- 1.2 The policy/strategy, flowchart of responsibilities and Corporate Risk Register can be found on Spelnet, and the Service risk registers can be found on global public folders.
- 1.3 The Audit Committee is responsible for considering the effectiveness of the authority's risk management arrangements, and receives regular reports on risk issues.
- 1.4 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 have revised the Corporate Risk Register ([Appendix 1](#)). Actions required to reduce risks are shown together with officers responsible for implementing recommendations and deadlines.
- 2.2 Progress on actions proposed at the last review has been documented on the attached register (please refer to columns titled control/action and progress). Some progress has been made in areas such as the business continuity management forum addressing actions arising from the corporate training exercise, and identification of lessons learnt from bad weather which should feed into revised business continuity plans; desk top testing of the borough's emergency plan with revision of the Emergency Plan currently underway; corporate training on contract management to be addressed as part of rolling out the e-tendering system; reminders issued to staff about the requirement to comply with CSO'S and Financial Regulations; periodical review of significant contractual partners by Accountancy through the financial media; the approval of a sustainability strategy.

The Head of Corporate Governance is currently reviewing partnership governance arrangements as part of the annual review of corporate governance. This includes reviewing the scoring of partnerships applied last year to assess relative significance. Findings will be incorporated in the Use of Resources self assessment and action planning process.

- 2.3 The following areas have not been fully addressed:
 - (a) IT Security (penetration) testing in order to comply with mandatory requirements (Technology/Infrastructure/Operations risk). Please see part 3 of the detailed register.
 - (b) Risk assessment for contaminated land (Environment risk). Please see part 7 of the detailed register. The Head of Environmental Health and Building Control will be attending the audit committee on 26th March to provide an update.

- (c) Procedure document to clarify health and safety responsibilities where assets leased(regulatory/legal risk). Please see part 8 of the detailed register.

- 2.4 The Head of Asset Management attended the Audit Committee on 24.6.08 to advise Members of progress in drawing up a procedure document to clarify health and safety responsibilities for leased assets, and set out timescales for this project, with a proposed completion date of June 2009. It should be noted that the original target date for implementing this action point was January 2008. It is now understood that the project is currently behind schedule.
- 2.5 A new action has been proposed in the corporate risk register aimed at addressing potential risks relating to the effective governance of Partnerships across the authority (see Partner/Contractor/Commercial risk category 10). Potential risks relating to failing to comply with employment legislation have also been added to the register (see regulatory/legal/litigation risk category 9).
- 2.6 It should be noted that the new corporate priority themes have been used for the purpose of relating specific risks to priorities.

3. OPTIONS ANALYSIS

Either:

- 1. To accept the Corporate Risk Register as drafted and proposals for improving overall risk management arrangements. (Preferred option) 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 The Audit Committee are asked to note and accept the contents of the Corporate Risk Register and recommend it to Executive for approval.

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 There are none.

8. RISKS AND HOW THEY WILL BE MITIGATED

- 8.1 If actions outlined in the Corporate Risk Register are endorsed by Members and implemented by relevant officers, this should improve the council's overall risk management arrangements.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The Corporate Risk Register shows officers responsible for progressing actions, together with timescales for implementation.
- 9.2 The revised Corporate Risk Register will be placed on Spelnet and actions will be monitored by the Corporate Risk Management Group.

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

Background Papers: There Are None.

AUDIT SERVICES QUARTERLY REPORT

Audit Committee: 26 March 2009

Resolution Required

Report of the Assistant Chief Executive

EXECUTIVE 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 October 2008 – December 2008.

- Audit recommendations
- Financial systems
- Depot
- Parking Services
- Internal Audit Partnership
- Other Audit Work

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 January - February 2009.

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

Portfolio Holder: Councillor Michel Bouquet

MAIN REPORT

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations require the Council to maintain an adequate and effective internal audit of their accounting records and control systems. This report provides the Council with assurance on the adequacy of those controls.

2. KEY ISSUES

2.1 Audit Recommendations

A recommendation database has been implemented to improve the monitoring of outstanding issues. At a previous Audit Committee meeting members requested statistics relating to recommendations issued, implemented and outstanding. Full details of all outstanding recommendations have been supplied to members of the Council's Management Team. It is important to acknowledge that audit work is not measured by the number of recommendations issued and minor/low risk issues are not included in statistics. These details include a number of audits issued in draft where management responses are awaited.

Status	Total	High	Medium
For Noting Only	15	2	13
Implemented	93	13	80
Outstanding	44	7	34
Rejected	3		3

2.2 Financial Systems

All of the Council's financial systems partially reviewed and tested.

Council Tax, NNDR, Main Accounting, Debtors, Creditors, Treasury Management, Housing Benefit, Payroll, Cash and Bank

There are no significant issues to report at this stage.

2.3 Streetscene

Internal Audit completed a risk assessment and tested in a number of areas. The following matters have been raised with the Head of Streetscene/Streetscene Operational Manager:

- (a) A review of contracts awarded and managed by Streetscene highlighted the need for staff to be reminded of Council policies and trained in tendering, selection, awarding and monitoring of contracts. The Procurement Board is currently organising training in this area for all relevant officers. The Streetscene Operational Manager will be addressing recommendations to improve control over the management of contracts by the service.
- (b) A review of responsive maintenance procedures and expenditure indicated the need for a review of systems including the allocation of work to contractors on a rotational basis and improved budgetary control. Audit also recommended that the management of this work should be

transferred to Asset Management so that it can be properly tied in with planned maintenance.

- (c) It was not possible to provide assurance that income collected through Spelride had been accounted for due to incomplete record keeping and lack of evidence of independent management checks. A number of recommendations have been made and accepted to improve control. Consideration is being given to the implementation of a cashless system which would improve control and reduce safety risks.
- (d) Other income systems were reviewed and recommendations made to implement independent management checks to confirm all income had been completely banked.
- (e) Audit recommended changes in the system for collecting/storing of personal information submitted to support reduced charges eg on bulky waste collections.
- (f) Full assurance cannot be provided on expenditure systems operating within Streetscene as there is no up to date inventory (last reviewed 2004) and purchase orders were not always being raised until after invoices had been received. The latter increases the possibility of duplicate payments and leaves the Council at greater risk of contractual disputes because terms and conditions are not agreed in advance.
- (g) Overtime claims were found to be high in some cases and concerns were raised regarding health and safety implications. However, following further discussion with management it became apparent that some of the payments/claims did not relate to actual hours worked but to a local system of recognising additional responsibilities. Audit recommended that this process should be reviewed and this is being actioned by the Streetscene Operational Manager and Human Resources.

2.4 **Parking Services**

Details of the main audit findings were reported to the last Audit Committee. Audit provided management with assistance in dealing with the issues raised. The Head of Service will be attending Audit Committee to provide details as to how the issues have been addressed.

2.5 **Procurement**

2.6 The draft Audit Summary was presented to the Procurement Board. Findings indicate:

- (a) Need for improved contract management including greater organisational awareness of corporate policies.
- (b) Consideration should be given to providing dedicated procurement resource and expertise to assist the Assistant Chief Executive in implementing the Procurement strategy.
- (c) More regular reporting by the Procurement Board to the Council's Management Team and Members detailing achievements driven by the Procurement Board, progress in implementing the Procurement Action plan and general board objectives.
- (d) The Procurement Champion should consider raising the profile of the Procurement Board across the authority in order to clarify its purpose.

- (e) The Board should consider any lessons learnt from larger procurement areas with best practice being disseminated throughout the council.

2.7 An audit of the Procurement function at Surrey Heath has also been conducted.

2.8 **Internal audit partnership**

2.9 The Head of Audit Services manages Spelthorne, Elmbridge (EBC) and Surrey Heath (SHBC) audit teams under a partnership arrangement. The Council's Management Team received a report setting out the progress of the partnership, financial savings achieved (£90k over 3 authorities) and examples of joint working to illustrate the wider benefits:

- (a) The Head of Audit has reviewed CIPFA's Code of Practice for Internal Audit at each authority and prepared a joint Audit Manual which addresses several minor gaps in the CIPFA Code.
- (b) Service plans have been aligned.
- (c) Teams have shared best practice in a number of areas including performance management, partnership governance, consultants, revenues, rent deposit schemes.
- (d) Choice Based Lettings – Spelthorne has led the audit of CBL partnership arrangements on behalf of SBC and EBC. The Senior Auditor from SHBC recently advised on ICT system acquisition. This worked well, particularly the introduction of an 'independent' auditor (as Surrey Heath not involved in CBL partnership).
- (e) ICT audit – Senior auditor at SBC has provided support to SHBC and is planning work at EBC in 2009/10.
- (f) Procurement – SBC team leader managed audits at SBC and SHBC. Development of Procurement Service at EBC is helping to inform future audit work.
- (g) Risk Management – Senior auditor at SBC has assisted SHBC with introduction of risk based approach. This is now being developed at EBC. Senior Auditor at EBC has risk management experience and therefore his knowledge will be used in review of risk management at SBC and SHBC.
- (h) Testing for external audit – Audit Assistant has provided SHBC and SBC with considerable support on testing of financial systems. It is anticipated that there will be further sharing of resources in this area and across all three boroughs in 2009/10.
- (i) Two joint meetings have taken place with all 3 authorities represented to discuss joint approaches, standard documentation, learning points from training courses etc.
- (j) The Audit Charters for each of the three authorities have been approved and are based on same model.
- (k) Further benefits will emerge through the 2009/10 audit plan with specific joint projects and once there is full integration of standard processes.
- (l) There is improved resilience as cover for annual leave etc is available from within the partnership and auditors may provide back up for the other authorities as in the case of CBL above.

- (m) Staff have been given development opportunities ie corporate responsibilities, management of staff and reporting to members. Joint team events have provided an opportunity for staff to share learning points from training events.

2.10 **Other work**

- 2.11 Choice Based Lettings – assisted management with the review of tender documents and the evaluation of several systems.
- 2.12 Housing – Review completed and currently being discussed with Service Head. Details to be reported at next Audit Committee.
- 2.13 Shopmobility – Risk assessment completed and limited testing carried out. Audit were unable to complete testing of income systems due to inadequate source records and have recommended changes to ensure that income received can be independently accounted for in future .
- 2.14 Insurance – risk assessment and testing commenced.
- 2.15 Community Safety and Elections – risk assessment and testing commenced.
- 2.16 Consultants – Review completed and currently being considered by the Council's Management Team.
- 2.17 Partnerships – A meeting was held with the Assistant Chief Executive to discuss significant risks in this area. Findings indicate scope for drawing up a partnership framework that can be applied to all significant partnerships across the authority. Audit will be recommending that the Council works closely with Elmbridge to share best practice in this area, and ensure proper governance arrangements exist around our partnerships.
- 2.18 Use of Resources – completed the risk and internal control key lines of enquiry and provided evidence to support comments.
- 2.19 Audit Committee – reports, correspondence and training provided for all Audit Committee members.
- 2.20 Corporate Risk Management – see separate risk report. Audit attended the Corporate Risk Management Group.
- 2.21 **Advice** - Advice has been requested from all directorates on various risk and control issues including partnering, data security, Use of Resources, income collection, RIPA (Regulation of Investigatory Powers Act), Salix etc.
- 2.22 **Miscellaneous** – Meetings (staff performance clinics/team (SBC and joint)/ departmental/ manager's briefings, Assistant Chief Executive), training, Audit Committee reports/issues, liaison with external audit, budget monitoring, processing contract payment certificates, Service Planning, work planning, Emergency Planning/Business Continuity 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 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 Significant risks associated with individual audits are reported in this report. Implementation of audit recommendations will reduce risks for the authority. All audit work is supported by detailed risk assessment.

9. TIMETABLE FOR IMPLEMENTATION

9.1 N/A

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

Background Papers: There are none

AUDIT SERVICES – ANNUAL PLAN 2009/10

Audit Committee: 26 March 2009

Resolution Required

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 2009/10.

Key Issues

Details of planned audit work for 2009/10 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 (2009/10) for Audit Services.

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

Portfolio Holder: Councillor Bouquet

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. Quarterly reports summarising the work of the section are prepared for Management Team and Audit Committee.
- 1.5 The plan is regularly reviewed by the Head of Audit.

2. KEY ISSUES

- 2.1 A copy of the Annual Audit Plan Summary (2009/10) 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 projects 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 for each service. Risk assessments will be updated for each service, new systems will be examined, previous recommendations will be followed up and a number of known areas of medium/high risk reviewed.
- 2.4 In addition to the audit projects identified, assistance will be given to support corporate issues such as information security, Use of Resources Assessment and corporate risk management.
- 2.5 The internal audit team works in partnership with Surrey Heath and Elmbridge Borough Councils and therefore some of the work will be delivered jointly by auditors employed by those authorities.

3. OPTIONS ANALYSIS

- 3.1 None

4. PROPOSALS

- 4.1 None

5. BENEFITS AND SUSTAINABILITY

- 5.1 N/A

6. FINANCIAL IMPLICATIONS

7.1 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**

ANTI FRAUD AND CORRUPTION STRATEGY

Audit Committee: 26 March 2009

Resolution Required

Report of the Assistant Chief Executive

EXECUTIVE 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

The Audit Committee is asked to note the Anti Fraud and Corruption Strategy and, if necessary, recommend any amendments to the Executive.

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

Portfolio Holder: Councillor Michel Bouquet

MAIN REPORT

1. BACKGROUND

1.1 In its guidance on Audit Committees, CIPFA recommends:

‘Strategies to be overseen by the Audit Committee will include:anti-fraud arrangements, anti-corruption arrangements including the authority's whistle-blowing guidelines...’

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 2008.

1.2 The Anti Fraud and Corruption Strategy is a corporate document and therefore any recommendations for change should be submitted to the Executive.

1.3 The Standards Committee is also responsible for ‘keeping an overview of and advising the Council on its Anti Fraud and Corruption Strategy and Confidential Reporting Code (Whistle blowing policy)’.

2. KEY ISSUES

2.1 The Anti Fraud and Corruption Strategy is attached. ([Appendix 1](#)) The Strategy has been updated to reflect current staffing structure and changes in names of Government departments. These changes are shown as tracked and they will be considered by Executive at its meeting on 18 March 2009.

2.2 The Executive decision will be reported at the meeting.

2.3 The key elements of the Council's strategy to combat Fraud and Corruption are:

- An open and honest culture
- Adequate preventative measures
- Systems for detection and investigation
- Understanding and awareness within the Council and the adoption of a "whistle blowing" policy

2.4 No changes are proposed by officers.

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 There are none

8. RISKS AND HOW THEY WILL BE MITIGATED

The Anti Fraud and Corruption Strategy forms part of the Council's overall Corporate Governance arrangements and is intended to assist in reducing the risk of fraud 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

**ANNUAL AUDIT AND INSPECTION LETTER 2007-08
AND EXTERNAL AUDITORS' ANNUAL EXTERNAL AUDIT REPORT**

Audit Committee: 26 March 2009

Resolution Required

Report of the Chief Finance Officer

Executive Summary

Purpose of Report

To inform Members of the outcome of the Audit Commission's Annual Audit Letter and KPMG's Annual Audit Report.

Key Issues

- Spelthorne assessed as improving its rate of improvement relative to other councils
- The Council identified as having adequate planning arrangements in place to sustain future improvement
- Statement of Accounts given unqualified opinion
- The Council has maintained an overall score of 3 in its use of resources
- Council has achieved a level 3 for data quality

The Council's

There are none

Financial Implications

There are none

Corporate Priority

All priority themes

Officer Recommendations

The Audit Committee is asked to note the Annual Audit and Inspection Letter (Appendix A) and the external auditors Annual External Audit Report (Appendix B).

Contact: Terry Collier, Chief Finance Officer 01784 446296

Portfolio Holder: Councillor Michel Bouquet

MAIN REPORT

1. BACKGROUND

- 1.1 The Audit Commission is required to provide the Council with an Annual Audit and Inspection Letter (the Letter). The letter
- Provides an assessment of the Council's performance under the Comprehensive Performance Assessment (CPA) process
 - Includes the Direction of Travel report
 - Confirms the external auditors opinion of the Statement of Accounts;
 - Confirms whether the Council has made proper arrangements for securing value economy, efficiency and effectiveness in its use of resources (value for money conclusion)
 - Confirms the external auditors Use of Resources assessment.
 - Reports on the Council's arrangements for ensuring data quality

Attached as **Appendix A** is the Audit Commission's Annual Audit and Inspection Letter. Also attached as **Appendix B** is KPMG's Annual External Audit Report which informs parts of the Audit Commission Annual Letter.

2. KEY ISSUES

How is Spelthorne Borough Council Performing? Direction of Travel (pages 5 to 13)

- 2.1 The Audit Commission states that Spelthorne Borough Council had 26 per cent of the basket of national performance indicators among the best performing 25 percent of English districts. This is above last year's figure of 25 per cent but below average performance.
- 2.2 The rate of improvement since last year is above the average achieved by all district councils. Sixty two per cent of indicators improved compared with the average range for all district councils of 57-59 per cent.
- 2.3 Members may recall that one of the issues highlighted last year was that the Council was then only on level 1 of the equality standard for local government. As the Letter comments the Council is now on level 2 with actions in place to achieve level 3 by end of March 2009.
- 2.4 The Letter assesses the Council's performance against its corporate priorities (page 7 to 13)

Audit of Accounts and Value for money (page 14)

- 2.5 KPMG the external auditors had previously reported on the outcome of the audit of the Authority's accounts in September 2008 to the Audit Committee. The letter confirms that:
- (a) An unqualified opinion on the Statement of Accounts for 2007-08 was issued
 - (b) Value for money arrangements were assessed as adequate

Use of Resources (page 15 of the Letter; and section 3 of KPMG report)

- 2.6 The Letter confirms that the Council retained an overall score of 3 for use of resources and that this demonstrates a continued effort to improve arrangement on the whole, since each year criteria are strengthened and thus made more difficult to achieve. The Council's score for Financial Reporting did drop from a 3 to a 2. This was primarily due to the fact that the Authority's original draft accounts presented for audit contained areas which required correction. Officers to address this for 2008-09 have spent a lot of time planning this year's close down (which is complicated by the immediate lead into the transition towards International Financial Reporting Standards) and a greater level of liaison with KPMG. Officers are confident that this year's production of the Statement of Accounts will be much smoother, and that this will help the element within the new Use of Resources methodology relating to financial reporting.
- 2.7 Appendix A of the KPMG report, recommendations 1 to 6 contains the external auditors Use of Resources recommendations and officers responses.

Data Quality (section 4 of the KPMG report)

- 2.8 KPMG assessed management arrangements as level 3, which means they are consistently above the minimum requirements. The auditors comment (Appendix 2, page 2) that corporate commitment to data quality is actively promoted and a comprehensive data quality policy has been defined and approved by senior management. However, amendments were required to both housing benefit PIs as a result of our testing. The auditors suggest that the Council consider strengthening its review process for PIs, so that avoidable errors are detected.
- 2.9 Appendix A of the KPMG report, recommendations 7 to 10 relates to the external auditors' data quality recommendations and officers' responses.

International Financial Reporting Standards

- 2.8 The Auditor Commission (page 3) highlight the need for the Council to ensure that it has adequate resource and a robust action plan for meeting the challenges of implementing new accounting requirements, particular the move to International Financial Reporting Standards. Officers are taking a report to corporate Management Team in April on the resource implications of this change and are working up an implementation plan. Accountancy staff have already undertaken considerable training to prepare for the International Financial Reporting Standards implementation.

3. PROPOSALS

- 3.1 That the Committee note the report.

4. FINANCIAL IMPLICATIONS

- 4.1 There are none.

5. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

- 5.1 There are none

6. RISK IMPLICATIONS

- 6.1 There are none

Report Author: Terry Collier Head of Financial Services

Background Papers:

There are none

Annual Audit and Inspection Letter

Spelthorne Borough Council

Audit 2007/08

March 2009

DRAFT

Contents

Key messages	3
Purpose, responsibilities and scope	4
How is Spelthorne Borough Council performing?	5
The audit of the accounts and value for money	15
Looking ahead	18
Closing remarks	19

DRAFT

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council.
- 2 The main messages for the Council included in this report are as follows.
- 3 The rate of improvement relative to other councils has improved. The percentage of performance indicators in the best 25 per cent has increased since last year but this remains below average as does the rate of improvement over the last three years.
- 4 The Council has made variable progress in its priority areas. The Council has delivered many initiatives and projects, either on its own or in partnership, but measurable outcomes for local people have not always met the original Council aims. Investment in underperforming services is beginning to show positive improvement with recycling rates being a good example.
- 5 The Council has adequate planning arrangements in place to sustain future improvement. It has recognised capacity issues that might impact on future service delivery and has ensured that budget planning has put additional emphasis on directing resources to priorities. The Council is working with partners in a coordinated way to help address aspects of the economic downturn.
- 6 An unqualified opinion was issued on the 2007/08 financial statements, along with an audit conclusion that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.
- 7 The Council has maintained an overall score of 3 in its use of resources assessment. This demonstrates a continued effort to improve arrangements on the whole, since each year criteria are strengthened and thus made more difficult to achieve.

Action needed by the Council

- 8 The Council should ensure that its 12 new priority themes have clearly defined outcomes aligned to robust measures of success. This should improve the Council's ability to manage progress and to allow residents to better understand how well their Council is delivering its aims.
- 9 With the implementation of Comprehensive Area Assessment and a revised Use of Resources assessment it will be vital for the Council to engage with this process at an early stage. to ensure that it maintains its Use of Resources score in 2008/09.
- 10 In addition the Council will need to ensure that it has adequate resource and has developed a robust action plan to successfully meet the challenges of implementing new accounting requirements including the 2008 and 2009 SORPs and International Financial Reporting Standards (IFRS).

Purpose, responsibilities and scope

- 11 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 12 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 13 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 14 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 15 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 16 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Spelthorne Borough Council performing?

17 Spelthorne Borough Council was assessed as 'excellent' in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and we have updated these assessments, through a corporate assessment, in councils where there has been evidence of change. No such update was deemed necessary in the case of Spelthorne Borough Council. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

18 The Direction of Travel report sets out progress against local priorities, considers comparable performance for 2007/08 and comments on current plans for improvement. This report will comment on the four priority themes which were in place for most of last year, which were:

- engaging younger people in Spelthorne;
- making Spelthorne safer;
- making Spelthorne a better place; and
- increasing customer satisfaction.

These are the same priority themes that were reported on in last year's direction of travel report.

- 19 The Council reviewed and updated its priorities and executive structure during the last year. The executive was expanded from six councillors to nine councillors and at the same time the four corporate priority themes were replaced with 12 new priority themes. The new priority themes are:
- community safety;
 - younger people;
 - environment;
 - housing;
 - independent Living;
 - economic development;
 - healthy community;
 - community engagement;
 - sustainable financial future;
 - value for money;
 - effective communications; and
 - developing staff and councillors.
- 20 The Council has made variable progress against the four priority themes. The following paragraphs summarise overall performance and set out the extent of improvement against each priority theme where appropriate.

Performance overview for 2007/08

- 21 The Council had 26 per cent of the national basket of national performance indicators among the best performing 25 per cent of English district councils. This is above last year's figure of 25 per cent but is below average performance. The average for all district councils was 33 per cent of key indicators in the best performing level.
- 22 The Council's rate of improvement over a three-year period is below average. The Council was ranked 347th out of 388 (all councils for which data is available) for the percentage of performance indicators that improved in the last three years. Fifty per cent of the indicators improved which is below the average range for all district councils of 57-59 per cent.
- 23 The rate of improvement since last year is above the average achieved by all district councils. Sixty two per cent of indicators improved compared with the average range for all district councils of 57-59 per cent.

How is Spelthorne Borough Council performing?

- 24 There has been progress with equality and diversity measures with the Council responding promptly to comments in last year's direction of travel report. It achieved level 2 of the equality standard for local government¹ in March 2008. The majority of Councils are at level 2 but the Council has put in place actions to achieve level 3 by the end of March 2009.

Engaging younger people

- 25 Council aims within this priority area include improving the level of satisfaction of young people living in Spelthorne and increasing the number of hours per week young people spend in healthy activities.
- 26 The Council is continuing to respond to the needs of young people across the borough and is facilitating the delivery of services that impact on their well being. It strives to better understand the needs of younger people through its consultation arrangements, such as the Youth Council and Junior Youth Council for primary school children, which have continued to meet over the last year. The Councils are intended to be the voice of young people in the borough and they help develop and secure funding for new projects. The sixth Youth Awards event was held in May last year with over 60 nominations celebrating the work and achievements of young people in the borough. Other activity has included a team building day which has helped to develop the Junior Youth Council, including respect for each other, how to manage meetings and how to deliver projects. The development of an anti-bullying policy for schools has been adapted by local schools and has led to other projects such as developing the 'Knives Wreck Lives' campaign, which has received national recognition. This also supports a number of Council priorities including community safety, young people and health.
- 27 The Council has a good track record of encouraging healthy activity for younger people through a wide range of activity. The Council promotes and actively participates in the Surrey Youth Games which is the largest annual youth sports event in Surrey and engages about 3000 younger people across the county. The games give young people, aged 7-15 years, some experience of competing in a major sporting event and provides links with local clubs to promote pathways for young people who can then join a club to improve their health and well being. The Council provides professional coaching for those that participate from the borough and the range of sports are designed to encourage younger people with a wide range of abilities to participate. The Council also provides or facilitates a broad range of sports, music and leisure based activities in both the holidays and in term time. All these activities and the work of the Youth Councils are well communicated and celebrated through the website dedicated to the needs of younger people in the borough - spelthorneyouth.com.

¹ The Equality Standard provides a way of working in councils that makes the mainstreaming of equalities into service delivery and employment an issue for all aspects of a council's work. By working through the Standard councils can identify disadvantage associated with race, gender, disability, religion and belief, sexual orientation and age which are the six equality strands.

- 28** The Council is providing the foundation for effective future partnership working with other agencies to improve the lives of younger people. Through consultation, it has developed and agreed a youth strategy through to 2012. The aim of this strategy is to provide the framework for the Council's future work with younger people and also that of the Local Strategic Partnership (LSP) - Spelthorne Together. The strategy covers the age range 11–19 years, and up to 25 years for younger people with disabilities. The strategy action plan has been developed to support the key headings identified in Every Child Matters, which includes, safety, being healthy, enjoying an activity, making a positive contribution and economic well-being. The action plan also details proposals to ensure effective communication with younger people, for example, using web sites and text messaging. Better use of resources and outcomes with more impact for younger people are expected through this partnership approach. The Council leads the Local Children and Young People Partnership which is a sub group of the LSP and brings together many agencies to work together. This has resulted in, child protection training, a youth facility being used further by a church group and securing external funding support.
- 29** The Council is actively monitoring the impact of its work with young people. A survey of younger people, carried out by the Council in 2008, shows marginal improvement¹ in satisfaction compared to a similar survey carried out in 2005. The survey sought to measure and track changes in perceptions towards satisfaction with Spelthorne as a place to live and four priority areas of safety, transport, facilities/activities and information. Participation data for sports and arts activities was also collected. There were 1,123 valid responses from the 4 schools participating. Approximately half the respondents rated Spelthorne as a good place to live - 52 per cent compared to 49 per cent in 2005. Other headline elements of the survey included participation in arts activity, which showed a positive trend. The percentage of those participating in 30 minutes of sport at least five times a week was 37 per cent (47 per cent male and 27 per cent female).

Making Spelthorne safer

- 30** Council aims within this priority area include reductions in crime and disorder rates, maintaining a low fear of crime and reductions in anti-social behaviour and drugs use. These aims were agreed with partners in the Crime and Disorder Reduction Partnership (CDRP) as delivery of these aims require cross sector support and delivery.

¹ The percentage changes in the headline elements of the survey were within plus or minus 3 per cent and so within the predicted accuracy of the survey - no robust judgements on improvement or deterioration can be made.

How is Spelthorne Borough Council performing?

- 31** The Council and its partners have made mixed progress against this priority. In 2007/08 four of the six relevant national performance indicators¹ show deterioration in performance against the previous year. Domestic burglaries per 1,000 households have increased significantly and are at the highest level over a three year period. This is now below average performance compared to above average last year when compared with other councils in the 'family' group. Violence against the person per 1000 persons has increased, is also at the highest level over a three period and ranks among the worst performing in the 'family' group. Motor vehicle crime is decreasing but comparative performance remains below average. Current, unaudited, performance data indicates the situation is improving with overall crime in Spelthorne for April 2008 to January 2009 decreasing by 11 per cent compared with the same period in 2007/08. The North Surrey average decreased by 7.9 per cent.
- 32** The Council and its partners continue to deliver initiatives to support this priority. Partnership Action Days have been held to provide visible reassurance to residents. These multi-agency events focus on particular areas of concern to local communities such as antisocial behaviour and fly-tipping. The key aim of these events is to facilitate different agencies working together such as the Surrey Youth Services and Surrey Police. Neighbourhood Watch Spelthorne is recognised as one of the more successful schemes in Surrey with over 152 schemes across the borough. The Staines Town Centre CCTV cameras have been upgraded to ensure that they provide images that are suitable for gathering evidence. A camera has been provided at Sunbury Cross and in Littleton Recreation Ground and there are schemes in hand for additional localised monitoring. The CCTV monitoring centre has been relocated to the new Runnymede Civic Offices where Surrey Police now have front desk and operational facilities. The Junior Citizen programme has been operating for some years and the 2008 programme was held in September with approx 1,000 Year 6 pupils taking part. Important messages delivered include safety near railways, citizenship, crime reduction, first aid and making emergency calls.

Making Spelthorne a better place

- 33** Council aims within this priority area cover a broad range of activities relating to quality of life. The aims include making the borough a clean and attractive place to live, work and visit as well as fulfilling environmental responsibilities and enabling the provision of adequate housing.
- 34** Planning performance was poor and deteriorated in 2007/08. All three national performance indicators for planning performance have deteriorated since last year, are below the base year of 2004/05 and rank the Council among the worst performing councils in 2007/08. Planning appeals allowed have dropped since last year and comparative performance has improved from worst performing to above average. This is a positive indicator of good planning judgements by the Council but the trend over three years is erratic and there is no track record that can inform a robust judgement. The Council recognises that planning performance has declined and a project plan has been devised, and is being implemented, in order to improve performance. The most recent, unaudited, Council performance data is showing improvement against the three national performance indicators.

¹ CDRP performance

- 35** The Council made significant investments and changes to its arrangements in 2007 to improve its waste and recycling arrangements and reduce the amount of waste going to landfill. Recycling and composting rates are improving but the 2007/08 levels were still below 25 per cent and do not yet reflect the full impact of the investment and changes. Comparative performance with other councils has been among the worst performers for the last three years. The amount^I of household waste collected per head of population is declining, an improvement, and ranks the Council above average performance. The cost of waste collection per household is increasing, a general trend, but the Council's performance remains good and above average compared to other councils. The Council introduced alternate weekly collections of waste and recyclables in late 2007. These arrangements boosted its recycling rates and the kerbside collection of recyclables indicators now rank the Council among the best performers compared to being among the worst performers in 2006/07. Current recycling and composting performance is showing continuing improvement with unaudited Council data reporting levels at approximately 35 per cent.
- 36** The Council has made progress to reduce its own carbon footprint. It has improved its energy management, improving insulation at the civic offices, installed energy efficient lighting and reduced electricity consumption. This is a contribution to the Council's broader approach to sustainability.
- 37** The Council's delivery of housing benefits is adequate. Councils administer this national welfare benefit on behalf of the DWP^{II} to support the more vulnerable in the community. There are three key national performance indicators. The average time to process new claims in 2007/08 improved compared to the previous two years but comparative performance with other councils was below average. The average time to process changes of circumstances has deteriorated since last year and comparative performance has dropped from best performing to above average. Accuracy of dealing with claims remains unchanged and is above average performance. This last indicator is important as it measures whether the right benefits are being paid to the right people. The Council has recorded a substantial increase in the number of benefits claimants and has worked with the DWP best performance team to address the capacity and administrative challenges.
- 38** The Council continues to provide successful intervention to prevent homelessness. The number of households in temporary accommodation has declined for the last three years and 2007/08 performance ranks the Council above average performance. The introduction of an in-house rent deposit scheme in 2007 has enabled the Council to assist approximately 40 households in finding suitable alternative accommodation. Without this support they may have applied as homeless. Other support schemes include mortgage advice and a sanctuary scheme for domestic abuse victims. The proposed Choice Based lettings scheme, which is promoted as best practice by government, was agreed in February this year. This partnership scheme will enable clients in housing need to be informed of all social housing available across Spelthorne, Runnymede and Elmbridge. Clients will be able to bid for the properties which will then be offered to the bidder in the greatest housing need. The scheme will increase client's awareness, choice and control in reference to housing. Government funding has been secured as has the contribution from partners.

^I Kg of household waste collected per head of population

^{II} Department for Work and Pensions.

How is Spelthorne Borough Council performing?

- 39 Progress with the Stanwell New Start regeneration project continues. This is a partnership initiative with the objective to design out crime and provide an improved mix of tenures in an area which has a very high proportion of social housing and drug abuse. Wider community outcomes will include provision of a new health and community centre with GP surgery, Primary Care Trust (PCT) service, children centre services, library, voluntary sector advice and coffee shop. The Council has facilitated the delivery of parts of this project by making its former day centre site available. Planning permission has been agreed and work on site will start in March 2009. The Council's programme to deliver affordable homes is under pressure due to the current economic climate and this project is therefore significant.
- 40 The Council is improving its provision and future plans for older people's services. It has reconfigured services for the elderly to provide more targeted services for the frailer elderly. This has included extended hours at day centres including weekends, meals on wheels delivered seven days a week and extended telecare provision. As part of the Benwell Project in Sunbury the Council has been working in partnership with the County Council and Nottingham Housing Trust to deliver a 39 unit, mixed tenure extra care housing facility. The facility will include a day centre for those living in the extra care housing and the local community. Planning permission has been granted, builders appointed and the build will commence in March 2009. The Council has developed a strategy for older peoples' services to support future improvement in this area. The key areas include enabling as many residents as possible to remain independent by supplying the help they need to do so. In addition there is a focus on providing a range of cultural and leisure activities that reduce isolation and help promote fitness and working with partners to make transport accessible. The Council continues to provide funding support to Age Concern for their community support desk which provides information services.
- 41 The Council, in conjunction with the PCT, is promoting the well being of the community. Actions include the provision of exercise referral staff working at Spelthorne and Sunbury Leisure Centres and one weight management officer. Two of this team have accreditation from the British Association of Cardiac Rehabilitation which means that they can take referrals from the Cardiac Rehabilitation team at Ashford Hospital. There are four circuit classes each week for exercise referral and weight management clients and there is an exercise referral and weight management walk group called 'stride it out'. The first 10 week MEND scheme (Mind, Exercise, Nutrition..... Do it) for overweight young people aged 7-13, has been run in Spelthorne. The scheme received Big Lottery Funding and has been run by the Council and the PCT. Several families self-referred and others were referred by school nurses, the Child and Adolescent Mental Health Service (CAMHS) and dieticians. Eight young people successfully completed this healthy living scheme and had their graduation ceremony at the Council Offices. The health drop-in point for young people aged 13-19 has been operating from Staines Connexions Centre for over a year. The project is supported by the Council, the PCT and the Connexions Service. The sessions are staffed by a school nurse and a CAMHS worker and marketing is carried out by the Council Leisure Services together with the Youth Council. It is used by school and college pupils, as well as young people outside mainstream education or employment.
- 42 The Council has made progress in improving the standards of food premises in the borough. Through its 'Scores on the Doors' food premises rating scheme, the Council's

Environmental Health section has carried out a series of free workshops aimed at the worst performing food business (in terms of food hygiene standards). As a result of the scheme, 26 food businesses have improved their overall 'star rating', therefore achieving better food hygiene standards.

Increasing customer satisfaction

- 43 Council aims within this priority area have been focused on putting people at the centre of their services. While it is evident that there is political and managerial support for this priority, objective setting and measurement of progress has been weak. It was for this reason that the Council has undertaken a review to update its customer service strategy which will be published by the end of May 2009.
- 44 Overall resident satisfaction with the Council was last measured in 2006/07 and showed a deterioration since the previous national survey was completed in 2003/04. This deterioration was in line with the national trend and the Council's comparative ranking with other councils therefore remained above average. The Council has used this data, along with other evidence, such as mystery shopper surveys, to benchmark its progress. Not all of this information has been regularly reported through the Council's performance management system and this is reflected in the lack of published outcomes in either council plans or publications designed to inform the community of Council performance. The Council has recognised this shortcoming and will address this through its updated customer service strategy and a revision of its complaints procedure.
- 45 The Council has achieved external accreditation that recognises the good level of service that its revenues and benefits team delivers. In March 2008 the team were awarded the new 'Customer Service Excellence' award by the Cabinet Office for excellent customer service to Spelthorne residents. The team had to comply with five different criteria covering customer insight, culture of organisation, information and access, service delivery and quality of service. In summary, the Government assessor stated that: 'the team were found to be enthusiastically committed to the new Customer Service Excellence ethos. The commitment was found from senior management levels through to operation and front-line staff.' The Council were one of the first organisations in the country to achieve this award and this success was celebrated and shared through a presentation undertaken by both the Leader and Chief Executive.
- 46 The Council is delivering good value for money (VFM). Improving VFM is one of the new priorities agreed by the Council and was one of the areas that the Council believed would drive improved customer satisfaction. The evaluation of use of resources undertaken by the Council's external auditor rated the Council as performing well in the achievement and management of VFM. Details of the use of resources judgements are detailed later in this report.

Sustaining future improvement

- 47 The Council has adequate planning arrangements in place to sustain future improvement and all of the Council's major strategies, for example the older people's strategy, are built upon structured consultation with residents. The corporate plan provides the strategic direction for the Council and this has been updated to reflect the 12 new priorities agreed by the Council last year. The Council has also highlighted its 'top 10' actions which is planned to help staff stay focussed on what is important. The medium term financial strategy (MTFS) identifies how the priorities will be resourced. The Council recognises the need to reduce dependency on its good level of financial reserves to achieve balanced and sustainable budgets and this is reflected in the MTFS. Financial planning focuses on driving improved VFM in the services the Council delivers, generating additional income and making investment now which will achieve savings for the future. The Council has just published a sustainability strategy and biodiversity action plan and updated its procurement strategy to integrate the principles of sustainability. These strategies will provide the framework for future improvement.
- 48 The Council has recognised capacity issues that might impact on future service delivery. The 2009/10 budget planning process has put additional emphasis on directing resources to priorities and to being prepared to reduce non-priority spends. The budgeting process has also recognised changing priorities arising as a result of the changing external economic situation. For example, the additional service pressures in areas such as housing and benefits coupled with declining income from income generating services such as land charges and car parking.
- 49 The Council has good track record of community leadership and working with partners and is liaising with key partners to discuss coordinated actions they can take to help address aspects of the economic downturn. It continues to play a leading role in a number of important projects such as the Stanwell New Start regeneration project, the redevelopment of Staines town centre and the redevelopment of Brooklands College.¹ All these projects have the potential to deliver a wide range of community benefits. The Council is also working with BAA on the Airtrack project which will include a direct train link from the West and South of England to Heathrow. The challenge for the Council is to mitigate any damage that it will do to the fabric of Staines Town Centre as the project provides limited gain to the local community.
- 50 Capacity to deliver future efficiencies has been enhanced through the newly created business improvement team. It is planned that this team will build on the business improvement programme that has already delivered significant efficiencies through service reviews. A review of independent living and leisure services completed in 2008 has delivered £58k worth of annual ongoing savings. Savings of £642,000 have been achieved over a three period by the programme against the original target of £500,000.
- 51 The Council is working to strengthen the links between its own corporate plan, the Spelthorne sustainable community strategy and the Surrey sustainable community strategy. The Council can already demonstrate effective links between the priority themes of each of these plans/strategies.

¹ Art college with academic and vocational facilities

Service inspections

52 No service inspections have been carried out in the period covered by this Letter.

DRAFT

The audit of the accounts and value for money

- 53** Your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts on 8 October 2008; and
 - a conclusion on your vfm arrangements to say that these arrangements are adequate on 8 October 2008.

Use of Resources

- 54** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 55** For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

- 56 The Council has demonstrated a number of areas of good practice in the year. Notable examples include financial indicators which show below average (for Surrey) council tax of £1,335 for Band D in 2007/08, with a 98.6% collection rate. Additionally the Council consistently maintains its spending within its overall budget without significant unexpected overspends or under-spends.
- 57 Another area of good practice is the investment made by the Authority to improve poorer performing services. This is evidenced by an 11% point increase in recycling rates after a major investment in wheelie bins. This meets the Level 4 score criteria.
- 58 The Council's Financial Reporting score dropped from a score of 3 in 2006/07 to a score of 2 in 2007/08. This was due to several non-trivial errors in the original set of accounts presented for audit. Officers have demonstrated a commitment to re-attaining level 3 and have held pre-audit meetings with auditors to help facilitate this.
- 59 The Council was awarded a level 3 for Data Quality, indicating that the arrangements in place were consistently above the minimum requirements. However, we recommend that the Council strengthen its review process as amendments were required to both housing benefit PIs.
- 60 A query was received from a Councillor in relation to the Authority's classification of certain items of salary expenditure as capital. We undertook additional work to the procedures we had already carried out to confirm that the expenditure was correctly classified as capital and that the accounting treatment of the expenditure in question had not resulted in any misstatement of the Income & Expenditure Account or Reserves in the Council's statutory accounts. This was the case, and we did not make any additional adjustments to the accounts. This process nevertheless delayed the sign off of the accounts.
- 61 The Authority's Housing and Council Tax Benefit Subsidy Claim was subject to a qualification. This was due to a trivial difference between in-year reconciliation cells on the claim form, the data for which comes from the Authority's benefits software.

Advice and Assistance work

62 We did not provide any advice or assistance work under section 35 powers during the year.

DRAFT

Looking ahead

- 63 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 64 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 65 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

DRAFT

Closing remarks

- 66 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the audit committee on 26 March 2009. Copies need to be provided to all Council members.
- 67 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Interim audit memorandum	May 2008
Opinion on financial statements	October 2008
Value for money conclusion	October 2008
Final accounts memorandum	August 2008
Annual audit and inspection letter	March 2009

-
- 68 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Paul Chambers
Comprehensive Area Assessment Lead

March 2009



INFRASTRUCTURE, GOVERNMENT
& HEALTHCARE

Annual External Audit Report

2007/08

**Spelthorne Borough
Council**

DRAFT 20 January 2009

AUDIT

The contacts at KPMG LLP in connection with this report are:

Neil Thomas

Associate Partner
KPMG LLP (UK)

Tel: 020 7311 1379

Neil.Thomas@kpmg.co.uk

Rebecca Pett

Audit Manager
KPMG LLP (UK)

Tel: 020 7311 6535

Rebecca.Pett@kpmg.co.uk

Michael Duff

Audit Assistant Manager
KPMG LLP (UK)

Tel: 020 7311 6535

Michael.Duff@kpmg.co.uk

Executive summary

- 1.1 Scope of this report
- 1.2 Summary of findings
- 1.3 Looking forward
- 1.4 Acknowledgements

The Statement of Accounts

- 2.1 Audit of the Authority's accounts
- 2.2 Whole of Government Accounts
- 2.3 The governance framework
- 2.4 The Authority's financial position
- 2.5 Certification of grant claims and returns
- 2.6 Questions and objections from electors
- 2.7 Looking forward

Use of Resources

- 3.1 Summary of our assessment
- 3.2 KLOE 1: Financial Reporting
- 3.3 KLOE 2: Financial Management
- 3.4 KLOE 3: Financial Standing
- 3.5 KLOE 4: Internal Control
- 3.6 KLOE 5: Value for Money
- 3.7 Looking forward

Data Quality

- 4.1 Summary of our assessment
- 4.2 Management arrangements
- 4.3 Comparison to other authorities
- 4.3 Data testing

Appendices

- Appendix A: Summary of recommendations and action plan
- Appendix B: Audit reports issued

Page

2

3

5

8

11

This report is addressed to the Authority and has been prepared for the sole use of Spelthorne Borough Council ("the Authority"). We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled: *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG LLP's work, in the first instance you should contact Neil Thomas, who is the engagement associate partner to the Authority, telephone 020 7311 1379, e-mail Neil.Thomas@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4063, e-mail trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Team, Nicholson House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SU or by e-mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

1.1 Scope of this report

This report summarises the work carried out by KPMG LLP ("KPMG") at Spelthorne Borough Council ("the Authority") in our role as the Authority's external auditors. Our responsibilities are set out in the Audit Commission's *Code of Audit Practice* ("the Code"). Under the Code we are required to review and report on:

- **The Statement of Accounts (Section 2):** We are required to audit the Authority's statutory accounts, including its Annual Governance Statement. The findings from our work were reported previously in our *Report to those charged with Governance*. This section summarises the findings of the audit of the accounts and the Authority's Whole of Government Accounts (WGA) submission. We have commented by exception on the issues arising from our audit.
- **Use of Resources (Section 3):** We are required to conclude as to whether the Authority has adequate arrangements in place to ensure effective use of its resources. We also issue a scored judgement which gives a more detailed view of performance against criteria in 11 areas determined by the Audit Commission. This assessment will change significantly in 2009, and we have noted this as an area which the Authority will need to focus on.
- **Data Quality (Section 4):** Good quality data is essential to both accurate financial reporting and effective performance management. This section considers the Authority's arrangements to ensure that its data is of high quality.

Our recommendations are summarised in Appendix A. Appendix B lists the reports which we have issued during the 2007/08 audit year.

1.2 Summary of findings

The Statement of Accounts

On 8 October 2008, we issued an unqualified opinion and certificate on the Authority's 2007/08 accounts. This report incorporated our Use of Resources conclusion, which is described further in Section 3.1 of this report. We also issued our certificate, confirming that we have completed all work required for the 2007/08 financial year under our statutory responsibilities. Our report was after the statutory deadline of 30 September due to a query on the accounts being raised by a Councillor. We also reviewed the Authority's WGA submission and concluded that it was consistent with the statutory accounts. This was submitted to the Department for Communities and Local Government electronically on 4 November 2008.

Use of resources

Between July and September 2008, we completed our scored judgement on the Authority's use of resources. This assesses the Authority against Key Lines of Enquiry (KLOEs) specified by the Audit Commission, resulting in a score on a scale between 1 (below minimum requirements) and 4 (performing strongly). The scores were reviewed by both KPMG's local and national quality control processes and then by the Audit Commission to ensure consistency in scoring with other auditors and authorities. The Authority's overall score was 3 in 2008. This means that the Council is performing well and is consistently above the minimum requirements. You have maintained your good performance in Financial Management, Financial Standing, Internal Control and Value for Money. Although there is no change in the overall score from the prior year the Authority's score for the Financial Reporting theme has dropped from 3 in 2007 to 2 in 2008. This was primarily due to the fact that the Authority's original draft accounts presented for audit contained areas which required correction.

Data Quality

We have assessed management arrangements as level 3, which means they are consistently above the minimum requirements. The corporate commitment to data quality is actively promoted and a comprehensive data quality policy has been defined and approved by senior management. However, amendments were required to both housing benefit PIs as a result of our testing. The Authority should consider strengthening its review process for PIs, so that avoidable errors are detected.

1.3 Looking Forward

The Authority faces a number of challenges going forward and we have discussed, risk assessed and agreed our audit plan for 2008/09 with the Authority to show how our work will respond to these risks.

In particular, we draw the Authority's attention to:

- the challenges of implementing new accounting requirements including the 2008 and 2009 SORPs and International Financial Reporting Standards (IFRS); and
- the new Use of Resources assessment to support the Comprehensive Area Assessment (CAA) regime.

1.4 Acknowledgements

We would like to take this opportunity to thank officers and members for their continuing help and co-operation throughout our audit work.

Section 2

The Statement of Accounts

Our *Report to Those Charged with Governance* (ISA 260 report) set out our main findings on the Authority's 2007/08 accounts. In this report, we have summarised the outcome of the audit and provided an update on the submission process for Whole of Government Accounts (WGA).

2.1 Audit of the accounts

Opinion and certificate

On 8 October 2008 we issued an unqualified opinion and certificate on the Authority's 2007/08 accounts. This report incorporated our Use of Resources conclusion, which is described further in Section 3.1 of this report. We also issued our certificate, confirming that we have completed all work required for the 2007/08 financial year under our statutory responsibilities.

Summary of issues arising

We made ten performance improvement observations in our ISA260 report, presented to the Audit Committee on 4 September 2008. None of these were high priority recommendations. We have received management responses to all recommendations, as reported to the Audit Committee at its meeting of 27 November 2008. We are satisfied that the responses received demonstrate management's commitment to implementing our recommendations.

2.2 Whole of Government Accounts

Whole of Government Accounts (WGA) are aggregated accounts that cover the whole of the public sector and include some 1,300 separate bodies. Each of these bodies is required to submit a consolidation pack. This is based on, but separate from, their statutory accounts.

We submitted the Authority's WGA pack to the Department for Communities and Local Government (DCLG) on 4 November 2008. This was after the deadline for submission of the audited WGA pack to DCLG of 1 October 2008.

2.3 The governance framework

A new development for 2007/08 was the requirement to prepare an Annual Governance Statement (AGS). This superseded the previous requirement to prepare a Statement on Internal Control (SIC).

The SIC considered issues of financial control – such as how the financial systems are managed and how the accounts are prepared – and the wider mechanisms (such as performance management) which help ensure that the Authority achieves its objectives. The requirements over the AGS are broader still and specify that the statement also needs to describe and evaluate governance processes and the role and effectiveness of members in governing the Authority.

Authorities therefore need to have explicitly identified the components of their governance framework and to have a mechanism to assess how effective each part is. We have concluded that the authority's governance framework is consistently above the minimum requirements.

The internal audit function is a key component of the Authority's governance framework. Internal and external auditors are both interested in the effectiveness of the control framework and therefore we seek to avoid duplication by reviewing and relying on the work of internal audit where possible.

In determining whether we are able to rely on internal audit work, we assess whether the internal audit service complies with the CIPFA *Code of Practice for Internal Audit*. We concluded that the service complied with the *Code* and we were therefore able to place reliance on internal audit work where it was relevant to our responsibilities.

The Authority should note that our assessment of internal audit is limited to aspects of its work which are relevant to our remit. The Authority therefore needs to have an appropriate mechanism in place to assess the effectiveness of its internal audit function in greater depth to inform the Annual Governance Statement. In 2007/08 the Audit Committee undertook a review of internal audit (at its 24 June meeting). This will need to be repeated to inform the Annual Governance Statement in 2009.

2.4 The Authority's financial position

The Authority reported an underspend of £159k against net revenue budgets of £11.658m for the year ending 31 March 2008. The General Fund Reserve as at 31 March 2008 was £1.571m (13% of net budgets for the year).

Capital spend was also managed to target in 2007/08 with expenditure of £5.268m against an original estimate of £5.272m.

2.5 Certification of grant claims and returns

The Authority has a small number of grant claims and returns requiring certification.

The Authority's Housing and Council Tax Benefit Subsidy Claim was subject to a qualification. This was due to a trivial difference between in-year reconciliation cells on the claim form, the data for which comes from the Authority's benefits software. This qualification was in line with the Audit Commission's certification instructions.

Some minor adjustments were required to the Disabled Facilities Grant claim due to differences between records in the general ledger and those kept by the disabilities operations team. The disabilities operations team should perform a monthly reconciliation between Uniform and the GL. All differences should be cleared and corrected. **[Recommendation 1, Appendix A].**

2.6 Questions and objections from electors

We have a duty under Section 8 of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to our attention in order for it brought to the attention of the public. In addition, we have a range of other responsibilities under the 1998 Act, including investigating questions or objections on the accounts received from the Authority's electors. We did not receive any such objections, or issue a report in the public interest, in 2007/08.

We received a question from a Councillor in relation to the Authority's classification of certain items of salary expenditure as capital. We undertook additional work to the procedures we had already carried out to confirm that the expenditure was correctly classified as capital and that the accounting treatment of the expenditure in question had not resulted in any misstatement of the Income & Expenditure Account or Reserves in the Council's statutory accounts. This was the case, and we did not make any additional adjustments to the accounts. This process nevertheless delayed the sign off of the accounts.

2.7 Looking forward

Over the next few years, local authorities will face a range of challenges to their accounts production processes. The 2008 SORP introduces some amendments to local authority accounting for 2008/09 which will require thorough review.

International Financial Reporting Standards (IFRS) is one such challenge. All local authorities are required to produce IFRS-compliant accounts from 2010/11. Therefore, due to the need to provide comparative amounts, 1 April 2009 is the date of transition to IFRS in local government.

Based on our experience of assisting both the corporate, central government and the health sector with their IFRS conversion, the Authority should aim, by the date of transition, to have:

- established a project team;
- reviewed which standards will have the biggest impact and which will be the most complex;
- completed the information-gathering stage - for example, gathering the information on all leased assets in order to review whether they are finance or operating leases under IFRS; and
- engaged the audit team with the process.

From our work with other bodies some of the key areas to be addressed will be fixed assets, employee benefits and leases.

Given the breadth of the issues which transition to IFRS will bring, the Authority should engage early with these changes and ensure that sufficient capacity is in place to address each area. Whilst IFRS is being introduced to local government later than in other areas of the public sector, the intervening period must be used wisely if some of the problems experienced by companies in moving to IFRS are to be avoided. We will be working with the Authority in the forthcoming months to review the approach to IFRS conversion.

Section 3

Use of Resources

3.1 Summary of our assessment

The Use of Resources assessment is based around five Key Lines of Enquiry (KLOEs): Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money. Following KPMG's internal quality control at a local and national level, and a consistency check by the Audit Commission, we can confirm that the Authority's final scores for the five individual KLOEs are as follows.

KLOE	Score 2007	Score 2008	Direction of travel*
1. Financial Reporting	3	2	↓
1.1 The council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	3	2	↓
1.2 The council promotes external accountability	4	3	↓
2. Financial Management	3	3	↔
2.1 The council's medium-term financial strategy/plan, budgets and capital programme are soundly based and designed to deliver its strategic priorities	3	3	↔
2.2 The organisation manages performance against budgets	3	3	↔
2.3 The council manages its asset base	3	2	↓
3. Financial Standing	3	3	↔
3.1 The Council manages its spending within the available resources	3	3	↔
4. Internal Control	3	3	↔
4.1 The council manages its significant business risks	3	3	↔
4.2 The council has arrangements in place to maintain a sound system of internal control	3	3	↔
4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	3	3	↔
5. Value for Money	3	3	↔
5.1 The council currently achieves good VfM	3	3	↔
5.2 The council manages and improves value for money	3	3	↔
Overall Score	3	3	↔

* The 'direction of travel' assessment represents movements between scores but also movements in the number of sub criteria met by the Authority.

We note that the Authority has maintained an overall score of 3 in its arrangements for use of resources. This shows a continued effort to improve arrangements on the whole, because each year criteria are strengthened (and thus made more difficult to achieve). However, attention is drawn to the Financial Reporting score which has fallen from 3 to 2. This was primarily due to the fact that the Authority's original draft accounts presented for audit contained errors that required correction.

In addition to the scored judgement, we are required to give an annual conclusion on the Authority's use of resources. This is based on whether the Authority meets 12 criteria specified by the Audit Commission, and is unqualified where these are all met and qualified if there are areas not fully achieved. Our conclusion draws on our scored judgement, our audit of data quality and a review of the Authority's most recent Corporate Assessment and Direction of Travel statement.

We reported our conclusion on the Authority's use of resources as part of our audit report on the Authority's accounts. This was issued on 8 October 2008 and was an unqualified conclusion. We have set out below the good practice points and improvement opportunities identified within each area of our Use of Resources scored judgement.

3.2 KLOE 1: Financial Reporting (Score Achieved: Two)

The overall aim of the financial reporting assessment is to understand how effective the Authority's arrangements are for producing and publicising its statutory accounts. The Authority no longer meets the criteria for a score of Level 3 in KLOE 1.1, and has moved down to a Level 3 in KLOE 1.2.

For 1.1, we would draw attention to the presence of several non-trivial errors in the original set of accounts which prevented the Authority from meeting the Level 3 criteria. An area of good practice is prompt response to additional auditor requests. To re-attain Level 3 the Authority needs to ensure that the accounts submitted for audit contain only a small number of non-trivial errors. **[Recommendation 2, Appendix A]**.

For 1.2, areas of good practice include the publication of summary financial information in the Borough Bulletins, which meet the needs of a range of stakeholders. In order to re-attain Level 4, the Authority must publish, in accessible formats, an annual report or similar document which includes summary accounts and an explanation of key financial information and technical terms designed to be understandable by members of the public. This document must also give information about the Authority's environmental footprint. **[Recommendation 3, Appendix A]**.

3.3 KLOE 2: Financial Management (Score Achieved: Three)

The overall aim of the financial management assessment is to understand how well the Authority plans its finances and delivers on these plans. We note a sustained effort in this area and consistency in achieving a score of Level 3, in line with the prior year.

For KLOE 2.1, areas of good practice include the quality of the corporate business plan, which is integrated with financial planning and projects forward at least three years. The plan could be improved however, by documenting the sensitivity analysis that has been undertaken **[Recommendation 4, Appendix A]**.

For KLOE 2.2, areas of good practice include budget monitoring, which is informed by a risk assessment. Also, progress in achieving planned savings and efficiency gains is regularly reported to senior management. However, an area for improvement in budget monitoring would be to incorporate operational activity indicators, which are currently used in a limited capacity. This would explicitly demonstrate the link between the Authority's financial position and its achievement of its objectives **[Recommendation 5, Appendix A]**.

For KLOE 2.3, a score of Level 2 has been achieved, down on the prior year score of Level 3. This is due to areas of weakness against both Level 2 and Level 3 criteria. To strengthen the Level 2 criteria, the Authority must reassess its level of backlog maintenance, which has not been updated since the 2005 Asset Management Plan ("AMP") was produced. This area is revisited in the Level 3 criteria: members should be aware of the level of backlog maintenance and should approve a plan to address it **[Recommendation 6, Appendix A]**.

3.4 KLOE 3: Financial Standing (Score Achieved: Three)

The overall aim of the financial standing assessment is to evaluate the Authority's arrangements for managing its spending within available resources, including how the Authority ensures that its finances are sustainable. The Authority has achieved a score of Level 3, as it did in the prior year.

An area of good practice is that the Authority consistently maintains its spending within its overall budget and without significant unexpected overspends or under-spends.

In order to achieve Level 4, the Authority must set challenging targets for a comprehensive set of financial health indicators, monitor performance and demonstrate a good track record of achieving these targets.

3.5 KLOE 4: Internal Control (Score Achieved: Three)

The overall aim of the internal control assessment is to understand the Authority's governance arrangements, including the internal control framework and how the Authority ensures a high standard of conduct by members and officers, and how it manages risk. The Authority has maintained a score of Level 3 across all areas of KLOE 4.

In KLOE 4.1, areas of good practice include the provision of risk management training by Zurich to members in November 2007.

In KLOE 4.2, the Authority meets all criteria of Level 3 including the new criterion of having an effective scrutiny function in place to ensure constructive challenge and a number of task groups to enhance overall performance.

In KLOE 4.3, a particular area of good practice is the achievement of one of the Level 4 criteria: fair processing notification is included on all application forms for services and benefits. This is a new criteria for 2008 and demonstrates that the Authority is adapting promptly to changes in the criteria used to judge this area.

3.6 KLOE 5: Value for Money (Score Achieved: Three)

The overall aim of the Value for Money assessment is to evaluate how well the Authority can demonstrate that it achieves value from its expenditure. As such, an important component of the work is the consideration of the information which the Authority has available and uses. The assessment also takes account of local circumstances, provided that the Authority can demonstrate that local factors and priorities have influenced cost and performance. The Authority has maintained its Level 3 score from the prior year.

Areas of good practice are financial indicators which show below average (for Surrey) council tax of £1,335 for Band D in 2007/08, with a 98.6% collection rate. The Authority also has below average accountancy staff costs per FTE which represent savings brought about by the on-going Business Improvement Plan. In addition, spending on Benefits administration (which is a key service for the Authority) is the lowest of its nearest neighbours. Overall satisfaction with the Benefits Office is in the top quartile. The team has recently received the new chartermark standard (Customer Service Excellence).

Another area of good practice is the investment made by the Authority to improve poorer performing services. This is evidenced by an 11% point increase in recycling rates after a £1.15m investment in wheelie bins. This meets the Level 4 score criteria. However, the Authority does not meet Level 4 criteria in any other Value for Money areas, such as achieving efficiency gains.

3.7 Looking forward

The 2009 Use of Resources assessment will be the first to be performed under the Audit Commission's new methodology. This approach contributes to the Comprehensive Area Assessment (CAA) regime, which replaces the current framework of Comprehensive Performance Assessment (CPA).

Under the CAA UoR approach, the five criteria are replaced by three:

- Managing finances
- Governing the business; and
- Managing resources.

These are then drawn together to form an overall judgement which is unscored.

The new assessment will present a significant challenge in that the assessment is based on "best fit" against descriptors, rather than a checklist of minimum requirements. This means that demonstrating innovation, as well as accepted best practice, will be increasingly important when seeking the higher scores.

Moreover, level 4 will be more open to auditor judgement as the Audit Commission has not defined criteria at this level. This again increases the importance of authorities demonstrating that they follow and actively contribute to best practice on a proactive basis.

We will hold initial discussions with officers to help plan the areas of focus and our subsequent work.

4.1 Summary of our assessment

Our review of data quality was performed following Audit Guides specified by the Audit Commission. These divide our work into three phases.

- **Stage 1: Review of management arrangements.** We consider the Authority's objectives and targets for data quality and the arrangements in place to ensure that they are achieved. The work considers a range of aspects of data quality, including policies, systems and training.
- **Stage 2: Comparison to other authorities.** This stage involves investigating queries raised by the Audit Commission on the Authority's data based on the Commission's analysis of historical trends and comparison to other authorities. We feed back to the Audit Commission on our findings and also notify officers if this validation process identifies any indicators which require amendment.
- **Stage 3: Data testing.** We test a sample of indicators in detail. The Audit Commission specifies these indicators based on their knowledge of where problems arise and prepares an audit guide for each of these; we perform the tests set out in the audit guide.

4.2 Stage 1 - Management arrangements

We assessed the Authority's arrangements against the five areas of the data quality KLOEs and summarise our findings in relation to each area below.

Overall, management arrangements in place have been assessed as consistently above minimum requirements. This is consistent with your previous auditor's assessment in 2007.

Governance arrangements

This section of the management arrangements work reviews leadership over data quality, including how responsibilities for data quality are defined and communicated, the data quality objectives in place, and how standards for data quality are monitored and reviewed.

- ✓ The Data Quality Policy clearly outlines which officers are responsible for data quality and this is considered as part of the performance appraisal process for those officers. The corporate commitment to data quality is emphasised in the Corporate Plan, the Data Quality Policy and on the intranet (accessible by all staff).
- ✓ The Authority is able to show its strategic approach to data quality in the Data Quality Policy and the Service Plan. The Data Quality Policy is of particular importance because it gives clearly defined actions and timescales in the plan to deliver quality data.
- Although there is an information sharing protocol in place for the Crime and Disorder Reduction Partnership, this does not specifically highlight data quality [**Recommendation 7, Appendix A**].

Overall, we have concluded that the Authority has a score of Level 3 in the governance arrangements of data quality. Level 3 is consistently achieved in KLOE 1.1 and 1.2, and the Authority achieves aspects of Level 3 and Level 4 in KLOE 1.3.

The policy framework for data quality

This area considers the Authority's policies in relation to data quality and how they are implemented.

- ✓ Data quality procedures and guidance notes are reviewed at least annually and updated when needed. Members of the Performance and Policy team were involved in updating the Data Quality Policy and guidance.
- In order to achieve a Level 4 score, the Authority needs to demonstrate that the data quality champion (or equivalent) is effective in rectifying any non-compliance and can demonstrate an impact on data quality [**Recommendation 8, Appendix A**].

Overall, we have concluded that the Authority has a score of Level 3 in the policy framework for data quality. A Level 4 score can be obtained if Recommendation 8 is addressed

Information systems and processes

Fundamental to the reliability of the Authority's information is the robustness of the systems which store the underlying data. This section of the management arrangements review considers the robustness of the systems in place, including management's action in relation to previously identified weaknesses, and consideration of data security and integrity. It also considers the systems for collating indicators and sharing information.

Section 4

Audit of data quality

- ✓ Systems from different departments are linked for reporting corporate performance information – for example, information from CAPS and Academy is fed into PB Views which supports the use of formulae to calculate Performance Indicators. The output of PB Views is monitored by the Performance Management Committee. Staff were consulted when the PB Views system was brought online.
- ✓ The use of the PB Views system ensures robust performance information is obtained and reported to management. The Senior Management Team and the Performance Committee receive reports on data quality information on a quarterly basis.
- The Authority takes responsibility for the security of its own performance information systems but does not have robust assurance from partners, who supply information through partnership arrangements, that their processes are secure. These arrangements should be implemented [**Recommendation 7, Appendix A**].
- Quality requirements in terms of legal and confidentiality requirements are set out within information sharing protocols. However, there are no systematic arrangements for ensuring that data supplied by third parties is fit for purpose. For example, there is no evidence of testing performed on this data. This should be incorporated into the Heads of Service responsibilities [**Recommendation 9, Appendix A**].

Overall, we have concluded that the Authority has a score of Level 3 in information systems and processes. However, in KLOE 3.1 and 3.2 the Authority has satisfied all Level 4 criteria.

People and skills

The areas set out above require a range of skills for successful implementation – whether knowledge of information systems or the knowledge of processes in order to ensure that they are appropriately designed to deliver high-quality data. It is, therefore, important for the Authority to consider the skills it needs to deliver its data quality objectives.

Once these have been identified, it will be necessary to implement training programmes and briefings in order to develop staff skills.

- ✓ Staff meetings and cascades are used to give staff information on Performance Indicators, and the figures can be accessed on the Authority's intranet at any time.
- ✓ Training has taken place for all relevant staff. It is tailored to the needs of the group being trained. Evaluation sheets are used for all training courses – which can be used to evaluate the value of the course, so that it can be adapted if needed. Initial training was undertaken for all relevant staff when PB Views was implemented, now training is carried out on an ad-hoc one on one basis as new joiners start at the council. This is included within the induction programme.
- The Authority has designated data quality champions but it is not clear that they have successfully driven data quality improvement throughout the Authority.

Based on the above the Authority has achieved a level 3 in this area. To help achieve level 4 the Authority needs to ensure that it can demonstrate that data quality champions are proactively identifying data quality issues and are driving data quality improvements throughout the Authority.

Using data effectively

In order to gain the greatest benefit from the collection of performance data, this information needs to be used in decision-making. There should be evidence of action being taken as a result of the review of performance information.

Moreover, there should be evidence of consideration of the appropriateness of performance information reported to management and members – for example, the timeliness of information, and thorough review processes by senior staff before information is presented.

- ✓ Senior management routinely and actively use data supporting performance information to plan services and allocate resources. Performance information from PBViews is used. Heads of Service complete the action plan field on PBViews to summarise what will be done for the Performance Indicators that do not meet the target. Management take action to address service delivery issues. Members have established Task Groups to investigate areas of under performance (for example waste, housing needs).
- ✓ Data quality action plan sets out a corporate process for ensuring that externally reported information is accurate
- An area in which the Authority could improve is the way risk assessment is used to determine how rigorously the Authority verifies the quality of data. The risk of misstatement is assessed and recorded in the Service Risk Registers, but there is no link made to the amount of work done in verification [**Recommendation 10, Appendix A**]

Audit of data quality

We have concluded here that the Authority has achieved a score of Level 3 in using data effectively and could achieve the Level 4 criteria if Recommendation 11 is addressed.

4.3 Stage 2 – Comparison to other authorities

We examined a number of indicators, as directed by the Audit Commission, to ensure that they appear plausible. This resulted in minor adjustments being made to BV 199a-c concerned with Local Street and Environmental Cleanliness. This was due to the original figures being those for the final third of 2007-08 rather than the whole year.

4.4 Stage 3 - Data testing

BV78a - An addition error in the STATS 124 report meant that the number of days, and number of cases, used to calculate BV78a were incorrect. An amendment was required which reduced the BVPI from 27.7 days to 25.3 days. This represents a reduction of 8.7% and, as per Audit Commission guidance, is not a material misstatement since it is below 10%.

BV78b - Our testing of benefit cases identified a case where a housing association notification of rent change had been applied to a case where the claimant was not in receipt of benefit during the year. The claim should therefore not have been included in the PI statistics.

The Authority ran an exception report using data from Academy and from the rent files that are used for automatic upratings to identify all cases where this had occurred. This identified 367 cases where this was the case – to ensure that the PI is fairly stated these were removed from the calculation. This resulted in an amendment from 8.1 days to 8.4 days. This represents an increase of 3.7% and, as per Audit Commission guidance, is not a material misstatement since it is below 10%.

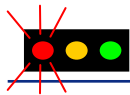
Indicator reference	Indicator description	Amended?	Qualified?	Satisfactory?
BV78a	Speed of processing – new claim (HB/CTB)	✓	-	✓
BV78b	Speed of processing – change of circumstances (HB/CTB)	✓	-	✓

Appendix A: Summary of recommendations and action plan

This appendix summarises our recommendations. We have given each one a risk rating (as explained below) and agreed with management what action they will take.

Priority rating for performance improvement observations raised

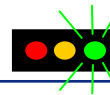
Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.



Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.



Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.



	Priority	Recommendation	Response and due date
1	Amber	<p>Monthly reconciliation between Uniform and the General Ledger</p> <p>The disabilities operations team should perform a monthly reconciliation between Uniform and the GL. All differences should be cleared and corrected. The reconciliation should be prepared and reviewed by different members of staff and dated and signed by both preparer and reviewer to provide a clear audit trail.</p> <p>This will help ensure that grant claim data is correct.</p>	<p>Agreed and implemented.</p> <p>Reconciliations were already performed. More detailed reconciliations to the level required by the auditors are now being done on a regular basis</p>
2	Amber	<p>Eradication of non-trivial errors in accounts submitted for audit</p> <p>In order to regain a Level 3 score in KLOE 1.1, the Authority must ensure that the accounts submitted for audit contain only a small number of non-trivial errors.</p> <p>This could be achieved by improving the level of internal review and quality control applied to draft accounts prior to submission.</p>	<p>Agreed and implemented. A detailed review of lessons learned has been undertaken and a set of improvement actions put in place</p>
3	Amber	<p>Publication of Annual Report</p> <p>In order to re-attain Level 4 in KLOE 1.2, the Authority must publish, in accessible formats, an annual report or similar document which includes summary accounts and an explanation of key financial information and technical terms designed to be understandable by members of the public.</p> <p>This document must also give information about the Authority's environmental footprint.</p>	<p>This will be discussed at Corporate Management team. There would be cost implications</p>
4	Amber	<p>Improvement to Corporate Business Plan</p> <p>The inclusion of sensitivity analysis would make the Corporate Business Plan more robust by ensuring that the Authority is preparing for a range of possible future scenarios.</p>	<p>Implemented</p> <p>For the 2009-10 outline budget process a considerable amount of sensitivity analysis has been undertaken around assumed capital receipt levels, pay award assumptions, council tax increase and impact of economic downturn through inflation and income levels.</p>
5	Amber	<p>Inclusion of operational activity indicators in budget monitoring</p> <p>We have noted that there are limited operational activity indicators which are used in the Financial Monitoring reports to Executive. Whilst reference is made to activity, absolute figures are rarely given.</p> <p>Use of these indicators should be more robust to explicitly demonstrate the link between the Authority's financial position and its achievement of its objectives</p>	<p>Corporate management team to agree an appropriate set of operational indicators.</p>

Appendix A: Summary of recommendations and action plan

	Priority	Recommendation	Response and due date
6	Amber	<p>Backlog maintenance assessment</p> <p>We note that a revised figure for the backlog maintenance will be included in the Asset Management Plan, but this figure has not been assessed since 2005.</p> <p>Assessment should be annual, and members should be aware of the level of backlog maintenance. Plans to address the backlog should be approved by members to ensure that they are aware of backlog issues.</p>	<p>The Asset Management Plan is currently being updated and stock condition and valuation surveys are currently being commissioned to enable a revised figure for backlog maintenance to be produced. Report was taken to January Executive and target date for completion end of July 2009 with draft Asset Management Plan going to July Executive.</p>
7	Green	<p>Data Sharing</p> <p>The Authority should strengthen its procedures to monitor and review the quality of data shared between partners. Information sharing protocols drawn up for partnerships should explicitly consider data quality issues.</p> <p>Protocols should consider the security of partners information systems and could require copies of Service Level Agreements between the partner organisation and any company to which information security is outsourced.</p> <p>This will help ensure the quality and security of data received from partners.</p>	<p>Most shared data is with other Surrey public sector organisations. Spelthorne BC has signed the Surrey Strategic Partnership Agreement for providing and reporting performance information. This includes amongst other things data quality</p>
8	Green	<p>Data Quality Champions' Impact</p> <p>In order to achieve a Level 4 score in the policy framework area of data quality, the Authority must be able to demonstrate that Data Quality Champions have had an impact on improving data quality, and also that they are able to rectify non-compliance.</p> <p>These particular responsibilities of the Champions should be documented, and their performance in these roles should be evaluated.</p>	<p>We will investigate how this role might be undertaken by each Head of Service</p>
9	Amber	<p>Testing of Shared Data</p> <p>Where the Authority relies on external data from partners and other third parties, testing should be performed to gain assurance over the quality of the data.</p> <p>This will help ensure the robustness of reported data.</p>	<p>We will investigate how best to implement this recommendation and identify relevant areas that rely on external data</p>
10	Green	<p>Use of Risk Assessment to Verify Data</p> <p>Good practice is currently followed in assessing the risk of misstatement in data quality and documenting conclusions in the Service Risk Register. However, the Authority would improve this process by linking risk of misstatement to amount of work to be done in verifying data quality. A matrix could be produced showing levels of risk and associated verification procedures.</p> <p>This would help ensure that the Authority is best utilising resources in data verification.</p>	<p>We will incorporate this activity into next round of service risk register amendment</p>

Appendix B: Audit reports issued

This appendix sets out the reports that we issued during the year of our audit.

Report title	Date issued
Annual Audit and Inspection Plan 2007/08	June 2007
Interim Letter	July 2008
Report to those charged with governance	August 2008
Auditors' report on 2007/08 accounts (incorporating Use of Resources conclusion)	October 2008
Whole of Government Accounts opinion 2007/08	November 2008
Annual Audit and Inspection Plan 2008/09	May 2008

WORK PROGRAMME 2009 – 2010

AUDIT COMMITTEE - 26 MARCH 2009

Resolution Required

1. Work Programme

- 1.1 This report covers the Work Programme for the 2009/10 municipal year.
- 1.2 The Committee's terms of reference are set out at the front of the agenda.

2. Current Work Programme

2.1 Meetings of this Committee have been scheduled in the Council's Diary for 2009 -10 in the months of:-

- June 2009
- September 2009
- December 2009
- March 2010

2.2 The specific meeting dates will be confirmed when the Calendar of meetings is considered and approved by the Council at its Annual Meeting.

2.3 Details of the Work Programme for the next meeting are as follows:

June 2009		
Corporate Risk Register	Head of Audit Services	Review
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Annual Governance Statement	Chief Finance Officer	Approval
Outturn and Statement of Accounts 2008/09	Chief Finance Officer	Approval
Audit Services Annual Report	Head of Audit Services	Report
Audit Services Annual Review	Head of Audit Services	Review
Committee's Work programme	Head of Audit Services/ Assistant Chief Executive /Audit Committee	Report

2.5 Any topics identified during consideration of the business at this meeting, will need to be included in the above Work Programme.

2.6 Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee, may be included in the Work Programme.

- 2.7 External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Work Programme or appear on the agenda as appropriate.
- 2.8 Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not implemented the recommendations of the Head of Audit Services. It is not possible to predict these circumstances but they will be dealt with as and when they arise either by incorporating into the Work Programme or appearing on the agenda as appropriate.

3. Resolution

The Committee is asked to consider and approve the Work Programme as submitted and/or amended at the meeting.

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

Report Author: Gillian Hobbs, Committee Manager (01784) 446405