

Please reply to:

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Date: 22 January, 2007

NOTICE OF MEETING

AUDIT COMMITTEE

DATE: TUESDAY 30 JANUARY, 2007

TIME: 7.30 P.M.

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

TO: ALL MEMBERS OF THE AUDIT COMMITTEE

M.L. Bouquet
K. Chouhan

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

J.D. Pinkerton
C.V. Strong

EMERGENCY PROCEDURE

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

THE LIFT MUST NOT BE USED

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

RESPONSIBILITIES OF THE AUDIT COMMITTEE

Purpose

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

Core Functions

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

A G E N D A

1. APOLOGIES

To receive any apologies for non-attendance.

2. DISCLOSURES OF INTEREST

To receive any disclosures of interest from Members in accordance with the Members' Code of Conduct.

3. MINUTES

To consider the Minutes of the meeting held on 17 October 2006 (copy attached).

4. OUTCOME OF RECOMMENDATION TO EXECUTIVE

The outcome of the recommendation of the Audit Committee from its meeting on 18 July 2006 to Executive on 16 January 2007 relating to the anti-fraud and corruption policy is attached.

In the light of the Executive decision, the Committee is asked to reconsider the matter.

5. QUARTERLY AUDIT AND RISK REPORT

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

6. CONFIDENTIAL (WHISTLEBLOWING) POLICY

To receive a report from the Strategic Director (Support) on a review of the Confidential (Whistleblowing) Policy. (copy attached)

7. MEETING DATES

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

As it has always been the intention that the Committee meets on a quarterly basis, the Committee is asked to consider adding a meeting to the calendar on Thursday 19 April and to remove the July meeting.

8. COMMITTEE WORK PROGRAMME 2006/2007

The Committee is requested to consider its work programme for the remainder of the municipal year 2006/2007 (copy attached).

MINUTES OF THE AUDIT COMMITTEE

17 OCTOBER, 2006

Present:

Councillor M.L. Bouquet (Chairman)

Councillor J.D. Pinkerton (Vice-Chairman)

Councillors

Mrs. M. Hyams

S.B.S. Lorch

E. O'Hara

Officers

Deanna Harris – Head of Audit Services

Terry Collier – Head of Finance

Punita Talwar – Senior Auditor

Nighat Sheikh – Auditor

Trevor Baker – Senior Committee Manager

Gillian Hobbs – Committee Manager

Others

Henry Arthurs – Baker Tilly

317/06 MINUTES

RESOLVED that the minutes of the meeting held on 18 July 2006 be approved as a correct record.

318/06 MATTERS ARISING

The Head of Audit Services updated Members on items mentioned in Minute No. 227/06 of the 18 July meeting

Recommendations on a number of improvements to strengthen the process of verifying genuine claims for Single Person Discount on Council Tax had been made. One of these was the inclusion of a verbal warning that false claims were liable to prosecution when Single Person Discount was being claimed over the phone. The Head of Financial Services, assured Members that these recommendations were being implemented.

It was confirmed that independent checks by the Human Resources service in the payroll department were now being carried out and it had not been necessary to require the attendance of the Head of Human Resources at this meeting.

A copy of the outstanding proof of qualification which had previously been missing from a Human Resources file had now been seen by Audit Services.

An item on High Hedge Legislation was being prepared for inclusion in the next Borough Bulletin by the Head of Planning.

The Head of Customer and E-Government Services was working on the implementation of recommendations arising from an audit of IT security.

319/06 EXTERNAL AUDIT REPORT ON 2005-06 AUDIT AND STATEMENT OF ACCOUNTS

The Chairman of the Audit Committee welcomed Henry Arthurs, a Partner with the Council's external auditors, to the meeting.

The Head of Audit Services recalled that external auditors appointed by the Audit Commission, Baker Tilly, were required, in accordance with international auditing standards, to annually report to the Council on

- Their audit opinion of the Statement of Accounts;
- Any uncorrected items in the Statement of Accounts;
- Qualitative aspects of the Council's accounting practices and financial reporting
- Their annual Value for Money conclusion and also their audit of the Council's accounting and internal control systems.

Henry Arthurs explained that this was essentially a report to the Members of the Council who had responsibility for overseeing and signing off the Council's financial situation but that the Audit Committee might take on this function in the future. He highlighted the main conclusions of the External Audit report which gave an unqualified opinion on the financial statements.

- That the financial statements presented fairly the financial position of the Council as at 31 March 2006.
- The Statement on Internal Control produced by the Council complies with CIPFA guidance.
- That the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

In addition he summarised the outcome of the 2005-06 Use of Resources assessment, which had already been previously reported.

He also detailed some further comments made by Baker Tilly in their report, including:

- That they were satisfied that the Council had properly dealt with changes in the accounting framework, which impacted upon its financial reporting requirements.
- That the Council had prepared the financial statements in accordance with the relevant accounting codes of practice.
- That Internal Audit testing was of a good quality and met the external auditor requirements.
- That the Council's 2005/06 Best Value Performance Plan (BVPP) complied with governing legislation in all significant effects.

In conclusion, Henry Arthurs praised the work of the Head of Audit Services, the Head of Financial Services and the Chief Accountant for their excellent work in preparing the documentation.

The Chairman thanked Henry Arthurs for his attendance at the meeting.

RESOLVED that the External Auditor's 2005/6 audit report be noted.

320/06 AUDIT SERVICES QUARTERLY REPORT

The Head of Audit Services presented the report, which gave an overview of the work undertaken by the Audit Services team during the period July - September 2006, and responded to questions from members.

She highlighted work of particular interest undertaken by Audit Services including: -

- **Internal Audit partnership with Surrey Heath Borough Council.**
Spelthorne's Head of Audit Services was managing Surrey Heath's audit team under a partnership arrangement, with effect from 1 October 2006. A Member commented that this was a major achievement.
- **Parking Services Audit**
Risk assessments were updated and recommendations had been made to improve control.

The Committee asked for reports to the next meeting on

- progress made in resolving a discrepancy between Council and bank records of an amount banked by a Council contractor, which was currently being investigated.
- Statistics relating to parking fines and appeals
- **Risk Management**
 - The Corporate Risk Register had been re-drafted and a number of Service Risk Registers had been reviewed with managers.
 - A performance management system to enable managers and members to monitor outstanding recommendations/actions relating to high/medium risks was being implemented.
 - Risk management training for Members was being organised.
- **Business Improvement Programme**
Audit Services, as a representative on the programme sponsors board, had attended and contributed to Planning workshops/meetings and would also be involved in advising project teams on subsequent reviews of Financial Services and Environment /Direct Services.
- **Theft from Council Offices**
Audit Services liaised with the police following the theft of a purse and subsequent fraudulent use of credit/debit cards. Audit Services reviewed risks and controls associated with use of corporate credit cards and had since withdrawn the ability to use these cards for drawing cash. Audit Services were asked to ensure management checks were in place to confirm CCTV was operating effectively.

The Head of Audit Services detailed some other areas of Audit work including:

Work undertaken on behalf of external audit; a system review of Planning fees income; investigating a discrepancy between Council /bank records of banking; a risk assessment of Community Services; assisting in the co-ordination of a national data matching exercise undertaken by the Audit Commission on a National Fraud Initiative; suggestions for improvements to the Honesty Box system; commenting on the need to improve project management arrangements; Business Continuity Plans and identifying discrepancies between Sick/Flexi Leave.

RESOLVED

- 1) That the contents of the Audit Services' Quarterly Report for July – September 2006 be noted
- 2) That progress made in resolving a discrepancy between Council and bank records of an amount banked by a Council contractor be reported to the next meeting by the Head of Audit Services.
- 3) That statistics relating to parking fines and appeals be reported to the next meeting by the Head of Audit Services.
- 4) To ensure management checks were in place to confirm CCTV was operating effectively

321/06 REPORTING OF CRIME

The Head of Audit Services recalled that at its last meeting the Audit Committee had requested a Council Policy that required all crimes/suspected crimes to be reported to the police.

She explained that a number of internal policies dealing with crimes against the Council already existed. These included Anti Fraud and Corruption Policy, Housing Benefit Prosecution Policy and Money Laundering Policy. In practice, officers throughout the authority regularly reported crimes against the Council to the police, as in all cases where a loss/cost had occurred it was necessary to obtain a crime reference number for insurance purposes.

The police provided useful advice on their websites relating to the reporting of crime, and also had an on-line system for reporting minor crimes and a graffiti hotline. It was therefore suggested that, although the Council had policies for dealing with certain crimes, it could strengthen general policy and guidance to all staff by placing information on the Council's Intranet linking into specific police advice and internal reporting requirements.

She also mentioned that the Government had recently published a 'Fraud Review' in which recommendations had been made for improving the way in which frauds were reported, investigated and individuals prosecuted. This would involve new legislation, restructuring and re-focussing of police resources. Further implications for the Council would be reported in due course.

RESOLVED that general policy and guidance for the reporting of all crimes/suspected crimes against the Council, be placed on the Council's Intranet for all staff, linking into specific advice from police and internal reporting requirements, be approved.

322/06 COMMITTEE WORK PROGRAMME 2006

The Committee considered its Work Programme for 2006/07.

RESOLVED that the Work Programme as submitted be approved.

OUTCOME OF RECOMMENDATION TO EXECUTIVE

The Audit Committee, at its meeting held on 18 July 2006, reviewed the Anti-Fraud and Corruption Policy which forms part of the Council's overall Corporate Governance arrangements and is intended to assist in reducing the risk of fraud and corruption.

The Audit Committee expressed concern that the reporting of crimes/suspected crimes against the Council should not be left to the discretion of officers but reported directly to the police.

The Audit Committee recommended to the Executive: -

That the Audit Committee notes and approves the Anti-Fraud and Corruption Policy, subject to the removal of the words "if appropriate" in the second sentence of paragraph 15 of the policy.

Paragraph 15 of the Policy is as follows: -

"15 The Council will deal with any instances of fraud or corruption swiftly. Disciplinary action will be taken as necessary and the police informed/involved *if appropriate*. Where the Council has adopted a prosecution policy for any business area (eg Housing Benefit Fraud) this will be followed."

The Executive, at its meeting held on 16 January 2007, considered the recommendation from the Audit Committee on the Anti-Fraud and Corruption Policy and

RESOLVED not to accept the recommendation in its current form and to invite the Audit Committee to reconsider the matter.

QUARTERLY AUDIT AND RISK REPORT

Audit Committee: 30 January 2007

Report of the Strategic Director (Support)

Executive Summary

How do the contents 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 provides details of work undertaken by Audit Services during the period October - December 2006.

Key Issues

Internal audit partnership with Surrey Heath
Risk Management - update
Business Improvement Programme
Day Centres Audit

Financial Implications

No financial implications.

Corporate Priority

The maintenance of a strong internal control environment supports all corporate priorities.

Officer Recommendations

The Audit Committee is asked to note the contents of Audit Services' Quarterly Report.

Contact: Deanna Harris (Head of Audit Services) 01784 446207
Portfolio Holder: Ed Searancke

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 of the adequacy of those controls.

2. KEY ISSUES

- 2.1 **Internal Audit partnership with Surrey Heath Borough Council.** Spelthorne's Head of Audit Services has been managing Surrey Heath's audit team under a partnership arrangement between both authorities since 1 October. Benefits include more efficient use of resources, shared expertise, greater flexibility, resilience and financial savings.

2.2 Risk Management

- (a) Audit Services re-drafted guidance on risk management for Members. Details were summarised within a Members' Information Bulletin item with links to the 'Risk Pack' available on the Intranet.
- (b) Audit assisted a number of managers with the review of their Risk Registers and implemented a performance management system to enable managers and members to monitor outstanding recommendations/actions relating to high/medium risks.

- 2.3 **Business Improvement Programme.** The Head of Audit Services represents the Support Directorate on the Programme Sponsors Board. Audit contributed savings/efficiency ideas to Planning, Environment Services/Direct Services and Finance workshops/meetings.

- 2.4 **Day Centres.** Reviewed progress in managing the closure of two day centres (Stanwell and Benwell) and their relocation. A risk assessment/checklist was prepared and discussed with Day Centre staff to assist in the reconfiguration and relocation to interim sites. Site visits were carried out and advice issued on cash handling/security arrangements, inventory records and disposal of assets, project management practices and need for clear project plan/timetable, income and expenditure procedures. Liaised with Officers within Environmental Health and Financial Services to ensure all health and safety and insurable risks were addressed.

Audit recommendations relating to income issued in May 2006 were followed up, and have been implemented.

2.5 Other Audit Work

- 2.5.1 **Work undertaken on behalf of external audit** – Testing commenced on all main financial systems. This is a major piece of work and represents approximately 20% of available audit days.
- 2.5.2 **Code of Corporate Governance** – Reviewed Code with Head of Corporate Governance. Further work is planned following the issue of new CIPFA/SOLACE guidance.

- 2.5.3 **Use of Resources** – Assistance was provided in the implementation of the improvement plan, data quality assessment and further work on value for money assessment.
- 2.5.4 **Community Services** (Includes Leisure Centres and £2.7m refurbishment works, Active Lifestyle, Youth Services and Events, Sports Development, Arts and Heritage, Play provision (play schemes) and play development, Parks and Open Spaces, and Leisure development Grants). The draft position statement was issued (awaiting management response). Recommendations include:
- Need to formalise protocols/agreements for all significant partnerships and scope for more formal monitoring of partnership objectives/ outcomes;
 - All Leisure bookings should be administered by Customer Services and recorded on the corporate bookings system;
 - All areas of leisure income should be included in the Authority's 'fees and charges';
 - Consideration should be given to more regular/rolling review of plans and strategies which would ensure that they reflect all developments and staff/partners always have realistic targets;
 - A procedure manual to cover all key leisure functions should be compiled;
 - The Leisure Services Manager should evidence monitoring of the Leisure Centre contract and use a checklist when conducting site inspections;
 - Emergency procedures for operation of the Leisure centre if SLM were unable to run the contract should be updated;
 - Advice given regarding the appointment of consultants and various contractual issues.
- 2.5.5 **Car Parking** – In addition to audit opinion provided during the Business Improvement Programme, advice has been given on a number of operational issues including overtime payments, charging and collection of income. Advice also given to management relating to pay on foot machine coin jams and health & safety issues for staff. Audit advised on various improvements to reduce risks including initiation of panic buttons on hand held walkie talkies and that CCTV cameras should fitted within the car parks as precautionary measures.
- 2.5.6 Discrepancies between income counted by the security company and sums banked have been pursued by Legal Services. The latest position will be provided at the committee meeting.
- 2.5.7 **Town Centre** – Further advice was given to management regarding the need to control revenue from Elmsleigh Centre development.
- 2.5.8 **Honesty Box** – Audit Services recommended and implemented an improved system for collecting income from staff for personal use of telephones.
- 2.5.9 **Corporate Policies and Procedures** – Audit implemented a system to periodically remind staff of policies and procedures for example those relating to Anti Fraud and Corruption, Whistleblowing, Gifts and Hospitality, Health and Safety, Financial Regulations etc.
- 2.5.10 **Project Management** – Audit advised on need to improve project management arrangements particularly the need to consider the overall capacity to deliver major projects and compliance with basic project management principles. This

has been identified in the Corporate Risk Register and Management Team has considered a report from the Policy Officer/Audit. Heads of service within the Support Directorate have also been meeting to address these issues.

2.5.11 Housing Options and Environmental Health / Building Control and Local Land Charges– Work in progress. Risk assessments were completed for Environmental Health/Building Control and Local Land Charges.

Interim advice given on the following:

- Security and safety issues including need for Housing Officers to take more precautions when visiting clients.
- Acquisition of new Housing system.
- Building Control IT system problems.
- Tendering within Environmental Health.

2.5.12 IT Security/Internet – Following a previous IT security audit, the Head of Customer and E Government Services commissioned a further review of IT security and has extended the contract of the Information Security Officer to address outstanding issues.

2.5.13 Advice has been given regarding monitoring of personal Internet use. Audit tested a number of personal computers to ensure antivirus software was up to date.

2.5.14 Advice - Advice has been requested from all directorates on a variety of risk and control issues including: issuing of contracts in Environment Services; compliance with Contract Standing Orders; Financial Regulations; Corporate Procurement issues; financial system; partnering in revenue services; Stanwell project; staffing issues; income procedures for Youth council events; procedure retention/disposal/scanning documents; issuing of contracts in E-Government Services; petty cash enquiries; compliance with the gifts and hospitality policy (Contract Services), banking discrepancy (now resolved) and trade refuse income collection.

2.5.15 Advice accounts for a significant proportion of audit days available but is an indication that management value audit advice.

2.5.16 Miscellaneous – staff/team/departmental/manager's meetings, CIPFA Audit update training, IT security audit training, business continuity training, new audit staff induction/training/support, Audit Committee reports, liaison with Surrey Audit Group and external audit, budget monitoring/preparation, review of new CIPFA Code of Practice and re-design of audit documentation.

3. OPTIONS ANALYSIS

There are none

4. PROPOSALS

There are none

5. BENEFITS AND SUSTAINABILITY

Not applicable.

6. FINANCIAL IMPLICATIONS

There are none

7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

7.1 Completion of the Audit Plan demonstrates compliance with Local Government Act 1972 and Accounts and Audit Regulations 2003.

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.

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

**Background Papers:
There are none**

CONFIDENTIAL REPORTING CODE (WHISTLEBLOWING POLICY)

**Audit Committee: 30 January 2007
Report of the Strategic Director (Support)**

Executive Summary

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

Provides assurance that the Council has in place policy for ensuring serious concerns are reported and investigated, and that the risk of loss as a result of improper use of resources or claims against the authority is reduced.

Purpose of Report

To review the Confidential Reporting Code (Whistleblowing Policy) and to make recommendations for amendment if necessary.

Key Issues

The Code forms part of the Council's Constitution and sets out how to raise serious concerns about any aspect of the Council's work. It also clarifies the legal protection under the Public Interest Disclosure Act against reprisals. The Code is attached as **Appendix 1**.

The Audit Committee is required to consider whether the Confidential Reporting Code (Whistleblowing Policy) is properly formulated and remains effective.

Financial Implications

No financial implications

Corporate Priority

All four.

Officer Recommendations

The Audit Committee is asked to note the Confidential Reporting Code (Whistleblowing Policy) and to recommend any amendments as necessary.

**Contact: Deanna Harris, Head of Audit Services 01784 446207
Portfolio Holder: Councillor Ed Searancke**

MAIN REPORT

1. BACKGROUND

- 1.1 The Confidential Reporting Code (Whistleblowing Policy) forms part of the Council's Constitution and sets 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.
- 1.2 The Code details:
 - (a) The nature of concerns which may be reported;
 - (b) Other policies such as the Grievance Procedure which exist to deal with employment issues such as bullying or sexual harassment;
 - (c) Safeguards against harassment or victimisation as a result of raising a concern.
- 1.3 Processes for raising and dealing with concerns including the various officers and organisations who could be contacted.
- 1.4 The Code is available on the Intranet, a leaflet (**Appendix 2**) has been placed on every notice board and regular reminders are issued to remind staff of its existence.
- 1.5 From time to time, concerns are raised with managers, Directors, Audit and Members. These are investigated in accordance with Council policy. None have been raised with specific reference to the 'Confidential Reporting Code'.

2. KEY ISSUES

- 2.1 The Confidential Reporting Code provides the necessary policy and guidance for reporting concerns and is important element of the Council's corporate governance arrangements.

3. OPTIONS ANALYSIS

The Audit Committee may:

- (a) Note contents of the Code, or
- (b) Recommend amendment to the Code

4. PROPOSALS

- 4.1 There are no proposals.

5. BENEFITS AND SUSTAINABILITY

- 5.1 The Confidential Reporting Code should ensure that serious concerns are reported, investigated and dealt with. There are no ongoing costs or sustainability issues.

6. FINANCIAL IMPLICATIONS

- 6.1 None.

7. LEGAL IMPLICATIONS / OTHER CONSIDERATIONS

- 7.1 There are no implications

8. RISKS AND HOW THEY WILL BE MITIGATED

- 8.1 The risks associated with failing to report, investigate and deal with serious concerns in a manner which protects the whistleblower include: claims against the Council, poor morale, waste of resources, service failure and damage to reputation.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Subject to any amendments recommended.

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

**Background Papers:
There are none.**