

MINUTES OF THE AUDIT COMMITTEE

14 FEBRUARY, 2006

Present:

Councillor M.L. Bouquet (Chairman)

Councillor S.B.S. Lorch (Vice-Chairman)

E. O'Hara

Mrs. M. Hyams

J.D. Pinkerton

Apologies: Councillors K. Chouhan and C.V. Strong

Officers:

Deanna Harris – Head of Audit Services

Nighat Sheikh - Auditor

Kathryn Thomas – Committee Manager

29/06 ELECTION OF CHAIRMAN

RESOLVED that Councillor M.L. Bouquet be appointed Chairman of the Audit Committee for the remainder of the Municipal Year 2005/2006.

30/06 ELECTION OF VICE-CHAIRMAN

RESOLVED that Councillor S.B.S. Lorch be appointed Vice-Chairman of the Audit Committee for the remainder of the Municipal Year 2005/2006.

31/06 THE ROLE OF THE AUDIT COMMITTEE

The Head of Audit Services gave an overview on the role of the Audit Committee in which she emphasised that the Audit Committee would form an important part of the Council's governance arrangements. Each of the core functions of the Audit Committee was explained. In relation to the approval of internal audit strategy, plan and performance she explained that the work of Audit Services was governed by the CIPFA Code of Practice. A key principle of the Code was the need for independence and therefore the Audit Committee should not take on the role of directing the service. She explained how internal audit performance was currently managed through external audit review, monitoring of performance by the Strategic Director (Support), which included achievement of service plan targets, and through benchmarking with other Surrey districts. She stated that the Internal Audit Plan, which she drafted, would be brought before the Committee, and suggested that the Committee review the internal audit strategy in due course. The function of reviewing summary internal audit reports and seeking assurance that action had been taken by management where necessary would be fulfilled through consideration of quarterly internal audit reports. These reports would

summarise the work of the service and highlight outstanding medium/high risk recommendations. External Audit and other inspection agency reports would be presented to the Committee. The Committee would also be asked to consider risk management in its widest context, which might include such issues as reputation, financial and service delivery, as well as health and safety risks. The Head of Audit Services commented that the Statement on Internal Control (SIC) provided assurance that the authority had sound systems of internal control to manage risks. The SIC had been prepared by the Strategic Director (Support), but there was a need to widen ownership and raise awareness for these matters across the Authority. The Committee would be required to ensure that there were effective relationships between internal and external audit and that the value of the audit process was actively promoted. The Head of Audit Services explained how external audit placed reliance on internal audit's work on all the main financial systems and had assessed their work as 'good'. The Committee would also be responsible for reviewing financial statements, external auditors' opinion and the monitoring of management action in response to the issues raised by external audit. In conclusion, the Head of Audit Services confirmed that Audit Committees were not yet compulsory in local government, although they were being introduced more widely. However the Audit Committee had importance within the Use of Resources Assessment and CPA. She also explained that managers within the Authority could be invited to attend the Committee to respond to any reports and recommendations made by Audit.

RESOLVED that this information be noted.

32/06 THE COMMITTEE'S WORK PROGRAMME FOR 2006

The Head of Audit Services reported on the Committee's terms of reference and proposals for a work programme for 2006. She explained that the draft work programme had been prepared with a view to the External audit timetable. Any other issues could be added as items to the work programme as they arose.

RESOLVED that the draft Work Programme (which may be updated from time to time) submitted for 2006/7 be adopted.

33/06 QUARTERLY AUDIT REPORT

The Head of Audit Services presented her report and gave a summary of the work undertaken by Audit Services during the period October to December 2005. She categorised the work in four main areas, namely, risk and control assessments, advice on systems and procedures, special investigations and corporate work. She emphasised that it was the role of the manager to identify errors and irregularities within their systems, and that auditors could only check samples, and not the whole. Recommendations made in the audit work listed under 'Main Issues' were highlighted and progress with their implementation would be reported to the next meeting of the Committee. In response to questions from the Committee, the Head of Audit Services indicated that the Committee could pursue any audit recommendations, which were not completed by local managers, and could request sight of risk

assessments undertaken if required. Assurance was also given to the Committee on IT Security and on-line payment issues, and the means by which Internal audit work was prioritised.

RESOLVED that the Quarterly Audit Report be noted and approved.

34/06 RISK MANAGEMENT

The Head of Audit Services gave a presentation on risk management and the process operated by Spelthorne. She provided a definition of 'risk' and several examples were provided of different types of risk, their impact and the controls that might be considered. The key elements of risk management were highlighted including identifying, evaluating, controlling/removing, monitoring and communicating risks. She stressed that in most cases risk could only be mitigated and not completely removed. Spelthorne's approach to risk management was outlined with reference to the flowchart on responsibilities. The key documents were risk registers (Members', Corporate, Service and detailed risk and service overviews). The Executive Committee approved the Policy/Strategy in July 2002. The aim was to embed risk management as good practice by managers throughout the organisation. The Head of Audit Services explained that the Audit Committee could review risk management arrangements through reports from internal and external audit, and Corporate Risk Management Group. She emphasised that one of the Committee's key functions was to seek assurance that action had been taken by management to address audit recommendations. In response to questions from the Committee on whether checks were undertaken to ensure that controls were in place, the Head of Audit Services explained that a risk-based approach to audit was undertaken. This meant that areas of risk were identified and controls were examined and tested.

RESOLVED that this information be noted.