

## **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.