

## **MINUTES OF THE AUDIT COMMITTEE**

**23RD MAY, 2006**

### **Present:**

Councillor M.L. Bouquet (Chairman)

Councillor J.D. Pinkerton (Vice-Chairman)

E. O'Hara  
C.V. Strong

Mrs. M. Hyams

S.B.S. Lorch

**Apologies:** Councillor K. Chouhan

### **Officers:**

Terry Collier – Head of Financial Services  
Deanna Harris – Head of Audit Services  
Nighat Sheikh - Auditor  
Kathryn Thomas – Committee Manager

### **Others**

Henry Arthurs - Baker Tilly

## **152/06 THE RELATIONSHIP BETWEEN EXTERNAL AUDIT AND THE AUDIT COMMITTEE**

The Committee received a presentation from Henry Arthurs, a Partner with the Council's external auditors, Baker Tilly. Mr Arthurs provided an introduction to his Firm, their appointment by the Audit Commission, and the work undertaken for Spelthorne Borough Council. He explained that the role of external auditors was to provide an opinion on the financial statements, review performance and give an opinion on the use of resources, and report to the public. He commented that the relationship with the Audit Committee was a two-way learning process as such committees were new in local government. In terms of delivering good governance, Mr Arthurs considered that Audit Committees were a positive step, and he was pleased that one had been established by this Council. He stated that it was important for both internal and external auditors to support the Committee, as in other sectors, Audit Committees had been useful drivers for improvement. He suggested that the Committee might wish to evaluate its progress and the performance of external audit at its meetings annually. He advised that Audit Committee Members should remain removed from the role of managers, as this would allow the committee to develop a clear overview of internal controls and corporate risk management. He considered that important roles for the Audit

Committee included ensuring that statements in the Statement on Internal control were those that the committee believed to be key for the council, and to provide assurance that performance was robust. The Committee would be entitled to commission work to ensure that weaknesses were addressed. Mr Arthurs outlined the support which external audit provided for the Audit Committee, which included audits of financial statements, annual reviews of governance arrangements, and evaluation of non-financial data quality. He stressed the reliance placed on the role of internal audit, which was an important control mechanism.

In response to questions from the Committee, Mr Arthurs stated that the Audit Committee would have the clout to ensure that all significant recommendations for improvement were dealt with. He outlined the statutory procedure for reporting local authorities at high risk, but commented that this did not happen generally in local government. He considered that there should be engagement between the Committee and the Portfolio Holder, particularly during Use of Resources/CPA exercises. He also suggested that the Committee might review its Terms of Reference in the fullness of time, but that the Committee could have confidence that these were based on the current CIPFA Guidance.

A copy of the presentation is **attached**.

**RESOLVED** that the information be noted.

## **153/06 STATEMENT ON INTERNAL CONTROL**

The Head of Financial Services presented his report and outlined the content of the Statement on Internal control. He highlighted the importance of the work of internal audit, and drew the Committee's attention to its role within the Use of Resources assessment. In response to questions from the Committee, the Head of Financial Services stated that following approval by this Committee, the Statement on Internal Control would be included within the Final Accounts which would be placed before the Executive and Council. Commenting on the level three award under the Use of Resources assessment, Mr Arthurs stated that this indicated that Spelthorne was a well-above average Council, within the top quartile of all districts. In order to gain level four (the highest level), the Council would need to demonstrate innovative good practice. The Council would need to consider carefully the balance of its resources and corporate priorities if it decided to work towards gaining the higher award.

**RESOLVED** that the draft Statement on Internal Control be approved and the improvement actions identified in part 5 of the Statement be endorsed, subject to the detail in paragraph 5.10 being made explicit.

## **154/06    AUDIT SERVICES ANNUAL REPORT**

The Head of Audit Services presented the report, which gave an overview of the work undertaken by the Audit Services team last year, and responded to questions from members. The report highlighted audit work of particular interest including Corporate Risk Management, development of Staines Town Centre, independent living, Customer Services, Contract Audit, Managed Audit, Building Control and consultants. The Head of Audit Services also highlighted special investigations, which had resulted in improved controls. The Committee indicated that, from time to time, it would value reports from local managers to demonstrate that audit recommendations were being implemented.

**RESOLVED** that the contents of the Audit Services' Annual Report for 2005/2006 be noted.

## **155/06    EXTERNAL AUDIT AND INSPECTION PLAN**

Henry Arthurs of Baker Tilly, the Councils' external auditors presented the External Audit Plan for 2006/2007.

He explained that the plan set out the audit and inspection work to be undertaken in accordance with the Audit Commission requirements. He commented that the inspection work related mainly to the Direction of Travel statement. He indicated that Baker Tilly would undertake sign-off of accounts, provision of opinion on financial statements, the issue of Value for Money conclusion and Best Value Performance Plan compliance. In addition audits of grant claims would also be undertaken.

Mr Arthurs also commented on the proposed audit fee, which he stated to be the lowest in Surrey. He also indicated that Spelthorne was relatively low risk.

The Chairman thanked Mr Arthurs for attending the meeting and discussing the report, and for his earlier presentation to the Committee.

**RESOLVED** that the Audit and Inspection Plan for 2006/7 be noted.

## **156/06    INTERNAL AUDIT – AUDIT SERVICES ANNUAL PLAN**

The Head of Audit Services presented the annual plan, which aims to fulfil the Accounts and Audit Regulations 2003 requirements, and to provide an effective internal audit service. Preparation of the plan was underpinned by formal risk assessments, and she explained that any significant risks identified would influence the amount of time allocated to each service.

The corporate nature of the service was also emphasised and assistance for corporate projects in work planned for the current year. These included the Business Improvement Programme and Use of Resources assessment.

**RESOLVED** that the Audit Services Annual Plan 2006/07 be noted and approved.

**157/06 COMMITTEE WORK PROGRAMME 2006**

The Committee considered the revisions to the Work Programme.

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