

## **MINUTES OF THE AUDIT COMMITTEE**

**4 SEPTEMBER 2008**

### **Present:**

Councillor J.D. Pinkerton (Chairman)  
Councillor M.T. Royer (Vice-Chairman)

Councillors:

L.E. Nichols                      E. O'Hara                      H.A. Thomson

**Apologies:** Councillors M.L. Bouquet and M.J. Collis.

**In attendance:** Mr Ian Joynson and Mr Neil Thomas - KPMG (Council's Auditors)

### **269/08            MINUTES**

The minutes of the meeting held on 24 June 2008 were approved as a correct record.

### **270/08            MATTERS ARISING FROM THE MINUTES**

#### **Minute 201/08 – Corporate Risk Register**

The Chairman, Councillor J.D. Pinkerton, was authorised to contact the Emergency Planning Officer about testing of the Emergency Plan.

He reported that the Plan was being reviewed and updated to reflect the Council's new Management Structure. The Deputy Chief Executive had attended a gold exercise and fed back to the Emergency Planning Team to incorporate into the revised emergency plan.

Specific plans had been drafted for 'Pandemic Flu' and 'Flooding' which would be followed by testing of the Plan. A Business Continuity Management test held on 23 July 2008 covered some elements of emergency planning such as flooding.

Officers had recommended that consideration should be given to carrying out a desktop exercise in order to assess arrangements in place and highlight scope for continuous improvement. Spelthorne had now arranged for Surrey County Council to carry out a desktop exercise in December 2008.

Councillor Pinkerton stated that he would continue to monitor the problem and report back to this Committee.

#### **Minute 205/08 – Audit Services Annual Report**

The Chairman, Councillor J.D. Pinkerton, was asked to contact the Head of Parking Services about Penalty Charge Notices (PCNs).

He reported that he had received confirmation that unpaid PCNs were now being transmitted to the Traffic Enforcement Centre for debt registration and that outstanding payments would be passed to the bailiff shortly.

The issue relating to inaccurate information passed by the Parking Services Manager to Audit in 2007 regarding this process was currently under investigation by the Head of Environment Services. The Chairman stated that he would report further at the next meeting of this Committee.

#### **IT Disaster Recovery Test Report**

The Chairman, Councillor J.D. Pinkerton recalled that at the last meeting a Member requested a copy of the IT Disaster Recovery Test Report and advised copies of this would be available to Members following the meeting.

#### **Minute 199/08 - Alternate Weekly Collection Project – Risk Management Process**

A Member asked why the presentation on the Alternate Weekly Collection to follow the risk assessment process of a project which had been completed, did not appear on the Agenda.

The Head of Audit Services reported that following consultation with the Chairman this matter had been deferred until the next meeting of the Committee in view of the amount of business to be discussed at this meeting.

#### **271/08          EXTERNAL AUDIT REPORT ON 2007- 08 AUDIT AND STATEMENT OF ACCOUNTS**

The Chief Finance Officer reported that external auditors appointed by the Audit Commission, KPMG, were required, in accordance with international auditing standards, to report annually 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
- The Annual Governance Statement
- Their annual Value for Money conclusion

They also reported annually on their audit of the Council's accounting and internal control systems.

The Auditors gave an unqualified opinion on the Statement of Accounts for 2007-08.

They required some adjustments to entries in the accounts relating to interpretation of capital items, provisions and available for sale investments, which had already been implemented. The auditors had also made recommendations relating to the accounts production process which had been agreed in principle with management.

The Auditors concluded 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.

The Chairman then asked Ian Joynson and Neil Thomas to present the KPMG report and respond to Members' questions.

With reference to the section in the report on the Accounts and Annual Statement of Governance where KPMG provided a commentary on the status of the accounting treatment of wheelie bins, a Member sought clarification on the use of microchips attached to the bins.

**RESOLVED:-**

- (a) That the Assistant Chief Executive, in his role as statutory Chief Financial Officer, and the Chairman of the Audit Committee be authorised to sign the draft letter of representation as set out in appendix 7 of the auditors' report ; and
- (b) That the Committee note the recommendations made in Appendix 4 of the auditor's report and that the Chief Financial Officer will report responses to the Committee at its next meeting.

**272/08           EXTERNAL AUDIT INTERIM AUDIT REPORT 2007-08**

The Chief Finance Officer reported the outcome of the External Auditor's 2007-08 interim audit report.

The interim audit report was undertaken to assess the underlying financial systems of control and procedures as preparation for the audit of the Statement of Accounts. The auditors concluded that they could place a high degree of reliance on the work of the Council's Internal Audit team.

The auditors made 10 recommendations one of which was high priority, relating to the authorising of journals and which had been actioned immediately. Three of the recommendations were considered to be of medium priority. These focused on improvements to IT controls associated with the financial ledger and other key systems. The remaining six recommendations related to best practice which would help bring the controls already in place, in line with best practice.

Ian Joynson and Neil Thomas from KPMG presented the report and responded to questions from Members.

**RESOLVED** that the External Auditor's 2007/08 interim audit report recommendations, set out in Appendix A to the officer's report, be noted.

**273/08           AUDIT SERVICES QUARTERLY REPORT**

The Head of Audit Services presented her report which outlined the work undertaken by Audit Services during the period April 2008 – June 2008 and responded to questions from Members. She highlighted significant areas of the report including the extension of the internal audit partnership with Surrey Heath to include Elmbridge, and contract management skills training.

**RESOLVED** that the Audit Services' Report for the period April 2008 – June 2008 be noted and approved.

**274/08           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 desk top exercises were not adequate to test such things as communications between partner authorities and sought further reassurance that live testing would be carried out in addition to desk top exercises.

The Head of Audit Services confirmed that the desk top exercise was only the first stage in the process and that further work with other authorities was being planned in the near future. She stated that these issues would be reflected in the register when it was updated within the next week or two. She suggested that either the Deputy Chief Executive or an appropriate officer be asked to report to the next meeting of the Committee.

**RESOLVED:-**

- a) that the contents of the Corporate Risk Register be noted and approved; and
- b) that either the Deputy Chief Executive or an appropriate officer be asked to attend and report on the issue raised by Members, at the next meeting of the Committee.

**275/08 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 asked for a performance matrix of outstanding internal audit recommendations to be presented at each meeting.

The Head of Audit Services explained that the Committee only dealt with high risk issues which were highlighted at every meeting in the report on the Corporate Risk Register. Low risk matters were continually being closed and new ones opened. It was not a question of chasing numbers but focussing on the high level issues.

Following further discussion she agreed to submit some statistical information to the next meeting for the information of Members.

**RESOLVED** that the Work Programme as submitted and amended be approved.