

**Minutes of the Audit Committee
24 September 2015**

Present:
Councillor M.J. Madams (Chairman)

Councillors:

S.A. Dunn

H.A. Thomson

H.R.D. Williams

Apologies: Councillors A.C. Harman and D. Patel

244/15 Minutes

The minutes of the meeting held on 25 June 2015 were approved as a correct record.

245/15 External Audit report on Audit and Statement of Accounts

The Deputy Chief Executive reported that external auditors appointed by the Audit Commission, KPMG, were required, in accordance with international auditing standards and statutory requirements, to report annually to the Council on:

- Their opinion on the Council's 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.

Neil Hewitson, on behalf of KPMG presented the report and responded to Members' questions. He concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and therefore anticipated issuing an unqualified VFM conclusion by 30 September 2015. It was also noted that KPMG had raised two recommendations which had both been accepted by Management Team. The first recommendation focused on work around value for money which reiterated the importance of staff and Councillors adhering to the code of conduct. Secondly there was a medium priority recommendation which focused on how the Council goes about valuating assets. It recommended an

independent valuer which must be completed by 1 April 2016 to ensure it coincides with a financial year end.

The external auditor gave a positive overall conclusion and stated that this was a testament to the work of the Accountancy and Audit teams of the Council.

Resolved that:

- 1) The Audit Committee is asked to note the External Auditor's 2014/15 audit report (Appendix A). That the Chief Finance Officer sign the letter of representation (as attached to appendix 4 of the Auditors' report).
- 2) That the Chief Finance Officer and Chairman of the Committee sign the statement of accounts.
- 3) That the Audit Committee notes the draft officer responses to the recommendations made in Appendices 1 and 2 of the Auditors report.

246/15 Corporate Risk Management

The Internal Audit Manager reported that the Corporate Risk Register had undergone its regular quarterly review and update by the Corporate Risk Management Group and Management Team to ensure that actions were being taken to deal with the identified risks. The revised register was considered to be an accurate reflection of the high level risks affecting the Authority. Progress on actions was documented on the register.

The Internal Audit Manager drew members' attention to the risks associated with Business Continuity and Emergency Planning, Project Management, Information Governance, Debt Recovery, Safeguarding and the 'Towards a Sustainable Future Programme' (TASF).

In particular the Committee noted that the Information Governance Group had met on 21 September 2015 and would be taking a report to Management Team requesting a dedicated member of staff to focus on records management.

The Internal Audit Manager explained to the Committee that a new risk category had been added to the corporate risk register to focus on debt recovery as there was a reasonable amount owed to the Council in areas such as a Bed and Breakfast arrears and housing. She stated that there were various challenges in those areas, such as claimants' ability to repay, so there was a difficulty to recover those monies and therefore a risk to the Council.

The Committee were concerned that there were 26 projects ongoing which required a high level of officer involvement. The Committee queried the continuity of projects and whether the changes as a result of the TASF programme would undermine the consistency of projects as current project managers may be different after the Group Head selection process. The Deputy Chief Executive reassured the Committee that those issues would be taken into account during the selection process and projects would be given to those with relevant experience.

Resolved that the contents of the Corporate Risk Register be noted and accepted.

247/15 Internal Audit interim report

The Internal Audit Manager presented her report which summarised the work undertaken by Audit Services during the period April 2015 to August 2015 and provided the Council with assurance on the adequacy of its internal audit systems of control.

The Internal Audit Manager drew the Committee's attention to the work surrounding debt collection and the team's effort to help make the recovery policy more robust to help address the outstanding issues outlined in the report. She focused on the difficulty of debt recovery for particular areas such as Meals on Wheels and Span due to the vulnerable clientele, but was hopeful that, with the Corporate Debt Group, actions could be taken forward.

In addition she emphasised the team's work in relation to the risks associated with Counter Fraud. She explained that Spelthorne had received £60k from the DCLG fraud fund which was being used to assist in the detection and prevention of tenancy fraud, right to buy applications, business rate evasion and avoidance and corporate or miscellaneous frauds such as legitimacy of council tax exemptions for students. The Committee noted that an official launch was being scheduled to raise public awareness of Housing Fraud in Surrey whereby posters were to be distributed alongside a press release to improve fraud detection.

The Committee were concerned with the need for documentary evidence with regards to a disaster recovery test for the iTrent payroll system from Tandridge Borough Council. The Internal Audit Manager explained that the Council was continuing to request the relevant information from Tandridge and was hopeful that an update would be provided soon.

Resolved that the Audit Committee note the Internal Audit Interim Report.

248/15 Effectiveness of the system of internal audit

The Internal Audit Manager presented her report on the effectiveness of the system of internal audit. She referred to various performance indicators used to assess the system of internal audit including the Service Plan, Audit Plan, professional standards, external audit reliance and achievements in 2014/5.

She also referred to the improvement plan for 2015/6 which focused primarily on the 'towards a sustainable future' initiative that required all services to review their service delivery models.

She explained that the internal audit team would continue to develop a programme of fraud risk reduction. She explained that Spelthorne was currently working in partnership with Surrey County Council and six other boroughs to detect and prevent non-benefit fraud. In addition funding had been obtained from the Department for Communities and Local Government (DCLG) to support this work which is focussing on Housing (fraudulent applications and sub-letting), Business Rates avoidance and evasion, and Council Tax discounts.

The Committee emphasised the importance of 'joined up' working between councils with regards to fraud investigations as social housing fraud, for example, can stretch over many boroughs. The Internal Audit Manager explained to the Committee that such measures were in place such as the web-based system entitled 'Safety Net' which joins up fraud investigations between authorities.

The Committee recommended that fraud investigations be added to the Corporate Risk Register to monitor their progress and determine whether the £60k funding from the DCLG had been useful.

Resolved that:

- 1) the report on the effectiveness of the system of Internal Audit be noted.
- 2) fraud investigations be added to the Corporate Risk Register to determine whether the £60k DCLG funding had been useful and used effectively.

249/15 Annual Governance Statement

The Chief Finance Officer presented his report and outlined the content of the Annual Governance Statement (AGS) 2014-15. The Statement reviewed arrangements for corporate governance and internal control as required by the Accounts and Audit Regulations 2006.

Resolved that the draft Annual Governance Statement at Appendix 1 to the report of the Chief Finance Officer be approved and that the improvement actions identified in the Statement be endorsed.

250/15 Committee Work Programme

The Committee considered its Work Programme for the remainder of the 2015/2016 Municipal year.

Resolved that the Committee Work Programme for the remainder of the 2015/2016 Municipal year, be approved.