

Standards and Audit Committee

Tuesday 8 June 2010 7.30pm

**Committee Room
Runnymede Civic Centre, Addlestone**

Members of the Committee

Councillors A Alderson, J Broadhead, R J Edis, Mrs C E Gant and A P Tollett

Additional Non-Elected Members of Standards and Audit Committee

Mrs C A Spurling and Mr S Tully

In accordance with Standing Order 29.2 any non-member of the Committee who is considering attending the meeting should first request the permission of the Chairman.

A G E N D A

Notes:

- i) Any report on the Agenda involving confidential information (as defined by section 100A(3) of the Local Government Act 1972) must be discussed in private. Any report involving exempt information (as defined by section 100I of the Local Government Act 1972), whether it appears in Part 1 or Part 2 below, may be discussed in private but only if the Committee so resolves.
- ii) The relevant "background papers" are listed after each report in Part 1. Enquiries about any of the Agenda reports and background papers should be directed in the first instance to **Miss C Pinnock, Administration and Leisure Department, Committee Section, Civic Centre, Station Road, Addlestone (Tel: Direct Line: 01932 425627). (Email: clare.pinnock@runnymede.gov.uk).**
- iii) Agendas and Minutes are available on a subscription basis. For details, please ring Mr B A Fleckney on 01932 425620. Agendas and Minutes for all the Council's Committees may also be viewed on www.runnymede.gov.uk.
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اردو

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LIST OF MATTERS FOR CONSIDERATION

PART I

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PART II

Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection.

a) Exempt Items

Exempt Appendices 'A' and 'B' to Item 7: Internal Audit – Review of Service Performance.

b) Confidential Items

(No items to be considered under this heading).

1. ELECTION OF CHAIRMAN

To elect a Chairman for the Municipal Year 2010/11.

The Committee is reminded that from May 2008 and in accordance with Section 53 of the Local Government Act 2000, as amended by Section 187 of the Local Government and Public Involvement in Health Act 2007, the Chairman of the Standards and Audit Committee must be one of the non-elected Independent members of the Committee; in this case either Mrs Spurling or Mr Tully.

2. ELECTION OF VICE-CHAIRMAN

To elect a Vice-Chairman for the Municipal Year 2010/11.

Members are advised that only an independent member may chair meetings of the Committee (see above), at least in respect of its Standards Committee functions. Accordingly the practical effect is that the Committee must appoint as Vice-Chairman the independent Member who is not elected Chairman. It would be possible to appoint an elected Member as a second Vice-Chairman provided that their functions were restricted to business which did not by statute have to be handled by the Standards Committee.

3. FIRE PRECAUTIONS

The Chairman will read the Fire Precautions, which set out the procedures to be followed in the event of fire or other emergency.

4. MINUTES

To confirm and sign the Minutes of the Meeting held on 9 February 2010 which were included in the March 2010 Minute book previously circulated.

5. APOLOGIES FOR ABSENCE

6. DECLARATIONS OF INTEREST

If Members have an interest in an item, please record the interest on the form circulated with this Agenda and hand it to the Legal Representative or Committee Administrator at the start of the meeting. A supply of the form will also be available from the Committee Administrator at meetings.

Members who have previously declared interests, which are recorded in the Minutes to be considered at this meeting, need not repeat the declaration when attending the meeting. Members need take no further action unless the item in which they have an interest becomes the subject of debate, in which event the Member must leave the room if the interest is personal and prejudicial

7. INTERNAL AUDIT – REVIEW OF SERVICE PERFORMANCE (DF)

(Ref: Minutes of Standards and Audit Committee, February 2009, page 753, para 485 and February 2010, page 569, para 576)

1. Purpose of Report

1.1 **The purpose of this report is to:**

- i) **report the achieved audit coverage and performance against the 2009/10 plan.**
- ii) **review the recommendations made in audit reports issued, and the progress made in their implementation.**
- iii) **note Internal Audit's assessment of the adequacy, reliability, and effectiveness of the internal control system and the extent to which the Council can rely on it, and**
- iv) **update Members with recent and current events that affect Internal Audit and or the Council's control environment.**

2. Background Information

2.1 Since the Standards and Audit Committee was created, established practice has been to report:

- the annual plan prior to the start of the financial year (normally in February),
- actual work carried out as compared to that plan, after the end of the financial year (formerly in September but more recently in June),
- recommendations made and progress made in implementing them, together with any significant control issues.

2.2 The primary purpose of this report is to review audit coverage for the last financial year and matters arising from these audits. The 2009/10 audit plan was presented to the Standards and Audit Committee in February 2009.

3. Internal Audit Coverage and Performance for 2009/10

3.1 Each year, the Chief Internal Auditor provides an Annual Report on Internal Audit report to the Director of Finance. The report for 2009/10 is attached at Exempt Appendix 'A'.

3.2 In considering the report to the Director of Finance, it might be helpful for Members to refer to the following table, which provides some background information on the five parts of the 2009/10 Internal Audit plan.

Plan	Work	Examples
Part 1 - Systems audits	Assess controls in operational areas to manage identified risks.	<ul style="list-style-type: none">• Council Tax• Museum• Leisure Centre• Benefits
Part 2 - Computer audits	Technical work on IT systems carried out by bought in specialist skills.	<ul style="list-style-type: none">• Operating system security• System configuration• Prevention of access to 'hackers'
Part 3 – Corporate work	Anti Fraud & Corruption work, Data Matching	<ul style="list-style-type: none">• Act on fraud notifications from external bodies• Supply data for Audit Commission Data Matching exercises.
Part 4 - unplanned & consultancy work	Investigations re possible fraud. Advice on request.	<ul style="list-style-type: none">• Cash shortage identified• Request for help with setting up controls for a new system.

3.3 The report to the Director of Finance considers:

- the key events of 2009/10,
- staffing and development issues
- the contract for top up Internal Audit services
- progress against the Internal Audit plan
- performance against the budget
- external audit's view of Internal Audit,
- auditees' views of Internal Audit.

4. Progress in implementing audit recommendations

4.1 Previously reported recommendations where progress has been made in their implementation, together with recommendations made in more recent audit reports, are tabled in Exempt Appendix 'B'.

4.2 The audits are listed in order of the audit opinion determined by the conclusions formed from conducting each audit. The opinions range from 'good' to 'critical' and a definition of each appears on the last page of Exempt Appendix 'B'.

5. Adequacy of Internal Control

5.1 An analysis of the audit opinions on the 36 audits completed during 2009/10 is shown in paragraph 3.6 of Exempt Appendix 'A'. No reports had a 'critical' conclusion; one report was issued with an opinion of 'unsatisfactory'. Details of issues arising from this, and audit work generally in 2009/10 appear in section 3 of Exempt Appendix 'A'.

5.2 At the last meeting of this Committee in February 2010, Members requested Officers to report back on one of the recommendations arising from the Community Meals audit. An update is provided in Exempt Appendix 'B', page 6 of 30.

6. Legal Implications

6.1 Internal Audit is conducted as part of the authority's duty to make proper arrangements for the administration of its financial affairs under the Local Government Act 1972 (section 151). It is specifically required and governed by the Accounts and Audit Regulations 2003 (as amended in 2006 and 2009).

6.2 Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2006 provides that a relevant body shall:

'.....maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.

Any Officer or Member of a relevant body shall, if the body requires:

- a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purposes of the audit; and
- b) supply the body with such information and explanation as that body considers necessary for that purpose.'

6.3 The Regulations state that the 'relevant body' is responsible for maintaining the Internal Audit system, rather than any one specific Officer. It is not possible to delegate this responsibility but in managerial terms it is exercised in Runnymede through the Director of Finance.

OFFICERS' RECOMMENDATION that –

the Committee expresses satisfaction with the matters identified and the action taken to date.

(TO RESOLVE)

Background Papers

Internal Audit reports (exempt)

8. ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL (DF)
(Ref: Minutes of Standards and Audit Committee, February 2010, page 571, para 579)

1. Purpose of Report

1.1 **The purpose of this report is to invite the Committee to consider the final draft of the Annual Governance Statement for the 2009/10 financial year.**

2. Background Information

2.1 The Standards and Audit Committee has responsibility to consider any matters relating to control procedures, risk exposure and corporate governance generally. The

consideration of the arrangements for internal control in the authority and the Annual Governance Statement falls under this duty.

2.2 The need to review arrangements for internal control and the Annual Governance Statement (AGS) is given statutory backing by the Accounts and Audit Regulations 2003 (the "2003 Regulations"), as amended. In particular the Regulations say that the Council should:

- Ensure that the financial management and control systems are adequate and that there is effective risk management,
- Include a statement of internal control, prepared in accordance with proper practice, in its financial statements, and
- Conduct a review at least once a year of the effectiveness of its system of internal control.

The review should set out a strategy to mitigate any key risks to service delivery that are identified.

2.3 This Committee considered a report on the effectiveness of the internal control framework of the Council at its meeting in February 2010. The meeting was presented with a detailed schedule (the "assurance gathering process") that presented evidence of the Council's governance procedures and references to relevant actions. The assurance gathering process is a structured link between the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered. It requires the identification of key controls that are deemed critical to the delivery of these objectives and expects a formal review and risk assessment for the management and delivery of these key controls.

2.4 The final version of the AGS will be presented to the meeting of the Corporate Management Committee on 30 June 2010 as part of the approval process for the Statement of Accounts. Statutory guidance requires the AGS to be signed by the most senior officer (the Chief Executive) and the most senior Member of the Council (the Leader) at the same time as the Statement of Accounts is approved.

2.5 Corporate governance extends beyond financial probity to include all aspects of the conduct of an authority's business. It is not just a finance issue and covers the governance aspects of accountability, effectiveness, openness and integrity. However, governance issues relating to internal controls are particularly pertinent to the preparation and publication of the Statement of Accounts, hence the requirement to publish the AGS with the accounts. Demonstrating that the Council has effective internal control is an important part of our corporate governance framework. Most of the documents that set out our internal control framework are published in the Constitution.

2.6 In June 2007, the Society of Local Authority Chief Executive Officers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) published '*Delivering Good Governance in Local Government: Framework*'. In February 2009, this Committee considered that the current governance procedures of the Council were satisfactory and that there was no benefit to be gained from adopting the CIPFA/SOLACE Framework.

3. Annual Governance Statement (AGS)

3.1 The AGS set out the extent to which governance arrangements are complied with, how the effectiveness of governance arrangements are monitored, and any planned changes in the coming year. The AGS reports on the system of internal financial control as it applied during the financial year – in this case the review is for the 2009/10 financial year.

3.2 Officers have identified no additional items that have not already been reported on the schedules detailing the assurance gathering process presented to this Committee in February.

- 3.3 There are also no significant changes proposed to the draft AGS presented to this Committee in February. The proposed final draft of the AGS is presented at Appendix 'A'.
4. Significant governance issues (Action Plan)
- 4.1 The AGS concludes with a section that identifies the actions taken (or proposed) to deal with significant governance issues.
- 4.2 Nationally, the feedback from external auditors is that highly rated (through CPA) authorities have tended to report more issues than poorly performing authorities. The issues raised by authorities tend to focus on areas that are very difficult to claim total control (e.g. risk management, business continuity, performance management, partnership working), or which have a local bias (e.g. responding to challenges raised in CAA reports).
- 4.3 The draft AGS reported to this Committee in February identified no significant internal control issues, but instead identified areas where improvement would be useful or where significant risk was apparent. The areas identified that required further action were:
1. Risk Management
 2. Partnership working
 3. Business continuity planning
- 4.4 These items have featured in the past years and have proved difficult to resolve. It remains an aim to deliver improvements in business continuity planning and partnership working arrangements. Improvement has been made in recent years in the management of corporate risks, but risk management is not yet at a stage where it is fully embedded into the service planning process. Therefore, it is proposed to retain these in the AGS for 2009/10.
- 4.5 The targets in the Action Plan have timescales that extend into the autumn of 2010. At this stage, there is little further to report.
5. Legal Implications
- 5.1 Regulation 4 of the Accounts and Audit Regulations 2003 requires a statement of internal control to be published with the Statement of Accounts. Regulation 4(2) requires the Council to carry out an annual review of the effectiveness of its system of internal control. Statutory guidance sets out the required contents of this Statement (the 'Annual Governance Statement') and the process for establishing and maintaining a system of internal control and the annual review process. The guidance requires the Statement to be signed by the Chief Executive and the most senior Member of the Council (the Leader).
- 5.2 Regulation 4 was updated by the Accounts and Audit (Amendment) (England) Regulations 2006 to require the review of the effectiveness of internal control to be considered by a committee or full council meeting. The guidance on this change supports the use of an audit committee as an appropriate means through which to consider the findings of the review.
6. Recommendation
- 6.1 There are often areas of our governance arrangements that can be usefully developed, for example, in the development of good governance arrangements in partnership working. However, Members have also been mindful of the business case of retaining procedures that are proportionate to the risk and scale of activities in an authority the size of Runnymede.
- 6.2 Members are asked to review the draft AGS and Action Plan and identify any further areas for improvement in our governance arrangements. Members may wish to draw on the opinions they have formed arising from evidence they have received over the year from sources such as internal and external audit reports, or issues discussed by the Council generally.

MEMBERS ARE REQUESTED to -

review the content of the draft Annual Governance Statement and accompanying Action Plan set out in Appendix 'A' for 2009/10 and to comment as necessary to the Corporate Management Committee

(TO RESOLVE)

Background Papers

1. "Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice: Guidance Notes for Practitioners", published by CIPFA (updated annually).
2. Accounts and Audit Regulations 2003 – Statutory Instrument and Guidance Circular; ODPM Circular 04/2003.
3. "The Annual Governance Statement - Meeting the requirements of the Accounts and Audit Regulations 2003; Rough guide for practitioners with effect from 2007-08", published by CIPFA Finance Advisory Network.
4. DCLG Circular 03/2006: Guidance on the Accounts and Audit Regulations 2003", published by DCLG on 18 August 2006.

9. LOCAL GOVERNMENT OMBUDSMAN INVESTIGATIONS (DAL)
(Ref: Minutes of Standards and Audit Committee, February 2010, page 573, para 581)

The following matters have progressed with the Commissioner for Local Administration since the last meeting of this Committee.

<u>Matter</u>	<u>Date Notified</u>	<u>Outcome</u>
Alleged inadequate handling of Planning breaches at Padd Farm, Hurst Lane, Egham	5 September 2007	No change since last meeting - the Ombudsman has declined to pursue either complaint at present but may review this case once the position on enforcement is clearer following appeal outcome and/or court action. During May 2010 the Council received notice that all the landowners appeals against the Council's enforcement action have been dismissed. The Council will now need to consider next steps.
Objections to proposal to build social housing on site at New Haw, lack of right of appeal by neighbours, and Compulsory Purchase of adjoining verge	22 April 2010 (this complaint was originally lodged in December 2009 but the Ombudsman required it to go through the Council's complaint process first)	Not pursued - the Council followed the correct administrative procedures and has properly explained its decision to pursue a Compulsory Purchase. There are statutory avenues available to the complainant.

(FOR INFORMATION)

Background Papers

Relevant papers on Director of Administration and Leisure's Ombudsman file series 61.21 (exempt).

10. FIRST TIER TRIBUNAL (LOCAL GOVERNMENT STANDARDS FOR ENGLAND) – RECENT CASES (DAL)
(Ref: Minutes of Standards and Audit Committee, February 2010, page 573, para 584)

The following recent cases may be of interest to Members:

1. A former Mayor of the London Borough of Brent appealed against a sanction imposed by her authority's Standards Committee. During her term of office, the appellant had solicited sponsorship from two local businesses, receiving contributions of £400 and £500 respectively. She used the money to buy clothing and accessories for use during her term of office. The Company's sponsorship was acknowledged in the programme for the Mayor's Charity Ball but was not entered into the Council's register of gifts until some time afterwards. The Standards Committee and the appeal Tribunal rejected the Councillor's argument that it was appropriate to solicit and use money to buy a ball gown to wear at her Charity Ball. The Tribunal did not consider it relevant that the actions took place in the context of organising a charity event. The Tribunal criticised the lack of proper accounts in relation to the expenses for the Mayor's Ball and agreed with the local Standards Committee that she had brought the office of Mayor into disrepute. The six months suspension imposed by the local Standards Committee was upheld.
2. A Councillor of Broughton Community Council appealed against a decision of Allerdale Borough Council's Standards Committee. A meeting of the Community Council had been due to discuss the future of the British Legion Hall. The Councillor was Chairman of the British Legion Club. He declared a personal interest in the item at the beginning of the meeting, but the item was not then discussed, and it had been apparent that it would not be discussed that evening before the start of the meeting. Nevertheless following a complaint the Borough Council's Standards Committee found that the Councillor had failed to declare a prejudicial interest and to act appropriately. The Tribunal noted that the duty to declare a prejudicial interest arose (at the commencement of consideration) of the business. Accordingly the Councillor had not breached the Code of Conduct by failing to declare a prejudicial interest in an agenda item that was not considered at the meeting.

(FOR INFORMATION)

Background Papers

Notes of decisions on website of Tribunals service.

11. EXCLUSION OF PRESS AND PUBLIC

OFFICERS' RECOMMENDATION that –

the press and public be excluded from the meeting during discussion of the following reports under Section 100A(4) of the Local Government Act 1972 on the grounds that the reports in question would be likely to involve disclosure of exempt information of the description specified in paragraphs 1, 3 and 7 of Part 1 of Schedule 12A of the Act.

(TO RESOLVE)

Part II

Matters involving Exempt or Confidential Information in respect of which reports have not been made available for public inspection.

- | | | |
|----|---|---------------|
| a) | <u>Exempt Items</u> | Paras. |
| | Exempt Appendices 'A' and 'B' to item 7: Internal Audit – Review of Service Performance | 1, 3 and 7 |

- b) Confidential Items

(No items to be considered under this heading).