

**Minutes of an Audit Meeting of the  
Performance and Audit Scrutiny  
Committee held at Surrey Heath  
House, Camberley on 23 July 2014**

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+ Cllr John May - Chairman  
+ Cllr David Allen - Vice-Chairman

+ Cllr Tim Dodds	+ Cllr Joanne Potter
+ Cllr Alastair Graham	+ Cllr Wynne Price
- Cllr Beverley Harding	+ Cllr Audrey Roxburgh
+ Cllr Edward Hawkins	+ Cllr Pat Tedder
+ Cllr Paul Ilnicki	+ Cllr Alan Whittart
+ Cllr Lexie Kemp	+ Cllr John Winterton
+ Cllr Chris Pitt	

+ Present

- Apologies for absence presented

Also in attendance: Councillors Ian Sams (Substituting for Councillor Beverley Harding) and Valerie White

Officers in Attendance: Andrew Crawford, Julia Greenfield, Sarah Groom, Julia Hutley-Savage, Kelvin Menon and Alex Middleton.

#### **010/P Chairman's Announcements**

The Chairman welcomed Members to the meeting. He reminded Members that the Committee had previously agreed that audit minutes should be considered at the following Audit meeting.

#### **011/P Minutes**

The minutes of the Audit meeting of the Committee, held on 18 June 2014 were agreed and signed by the Chairman. There were no matters arising.

#### **012/P Annual Governance Statement**

The Committee received a report on the draft Annual Corporate Governance Statement, which would form part of the 2013/14 annual accounts and would be signed off by the Leader of the Council and the Chief Executive.

The Statement was produced to highlight governance arrangements, address key issues for the year and focus on those issues raised in the previous year.

Members noted that, whilst the bulk of Member training had been held immediately following the previous election, subsequent training had focussed on statutory areas, without any focus on scrutiny. The Committee agreed that Member training should be reviewed and adapted as appropriate.

Members were advised that less progress had been made in the review of Leisure Leases than had been anticipated.

It was proposed that an update on major projects be included be included in the twice yearly Performance update.

**RESOLVED, that**

- (i) the report be noted;**
- (ii) Officers be requested to review Member training; and**
- (iii) an update on major projects be included in the twice yearly Performance updates.**

**013/P Regulation of Investigatory Powers Act 2000 – Annual Report on Authorisations**

The Committee received an annual report from the RIPA Monitoring Officer on authorisations granted for direct surveillance or the use of covert human intelligence sources by officers under powers granted to the Council under the regulation of Investigatory Powers Act 2000 (RIPA).

The criteria for obtaining RIPA authorisations, whilst previously stringent, had been reinforced by the need for a Magistrates Court order to authorise surveillance.

The Principal Solicitor reported that, during the municipal year 2013/14, there were no authorisations, reviews or renewals under RIPA for the carrying out of direct surveillance.

**Noted that no authorisations had been granted for direct surveillance during the 2013/14 municipal year.**

**014/P Annual Review of Effectiveness of the Systems of Internal Audit**

The Senior Auditor presented a report providing an annual review of the effectiveness of the system of internal audit for 2013/14, a requirement under the Accounts and Audit Regulations.

The review included:

- Functioning of the Performance and Audit Scrutiny Committee –The Committee had scrutinised the role and function of the Internal Audit Team, as well as receiving reports from and questioning the Council’s external auditors, KPMG;
- Compliance with the Public Sector Internal Audit Standards – Internal Auditors had completed a self-assessment form, to assess conformance with the Public Sector Internal Audit Standards (PSIAS). This indicated that Internal Audit was generally compliant with the standards and codes within the PSIAS;
- External audit assessment of Internal Audit’s work – The External Auditors had placed reliance on internal audit reports to assist in the preparation of the annual end of year accounts;
- Progress made against Internal Audit’s work plan for 2013/14 (the annual Audit Plan) – These would be reported under the Internal Audit Annual Report; and
- Other achievements by the Internal Audit Section in 2013/14.

The Senior Auditor confirmed that Internal Audit had recruited to the vacant post and that the Committee would receive an update in January 2015.

**Resolved, that**

- (i) the report be noted; and**
- (ii) the Review of the Effectiveness of Internal Audit be approved.**

**015/P Finance – Investigations Section**

The Committee considered an update on the performance of the Fraud Investigation Section and the progress of the Single Fraud Investigation Service (SFIS).

Members welcomed the successful prosecutions in four cases highlighted in the report and noted that further potential prosecutions were pending. However, the introduction of an SFIS, operated by the Department of Works and Pensions, could dilute the Council expertise, with staff potentially transferring to the Service in October 2015.

Following transfer, the Council would retain Council Tax Benefit Fraud and Corporate Fraud. The Investigations Team had been exploring, with Accent PLC, partnership arrangements which had already resulted in the Council prosecuting individuals who had sub-let their Housing Association properties.

Two properties had been recovered in the previous six weeks and the Council would get nomination rights on any further properties recovered.

Members supported the proposal that, in the light of the introduction of SFIS, a proactive approach should be taken by the Council to target fraud and corruption in the following areas:

- (i) Business Rates Avoidance;
- (ii) Introduction of Council Tax Penalties – an additional civil penalty in the form of a fine for those who falsely claim discounts, exemptions and disregards; and
- (iii) Development of a Corporate Enforcement Team.

**Resolved, that**

- (i) the report be noted; and**
- (ii) the report on the Investigations Section be approved.**

**016/P Internal Audit Annual Report**

In order to comply with the Public Sector Internal Audit Standards, the Executive Head of Finance, as the officer responsible for Audit, was required to provide a written report to this Committee, in its audit function, which must:

- provide an opinion on the overall adequacy and effectiveness of the Council's control environment and risk landscape;
- disclose any qualifications to that opinion, with reasons;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies; and
- highlight any significant matters for reporting.

The Committee considered a report summarising the work undertaken by Internal Audit for the Year ended March 2014 and providing the opinion of the Executive Head of Finance on the adequacy of the Council's systems of internal control.

In 2013/14, 20 audits had been undertaken of which 17 were planned and 3 unscheduled. The audit reports on key financial systems would be issued in the next month, in line with year-end financial accounts and a number of audit findings had been reported to Management without the need for final audit reports.

Within the four levels of assurance used, of the 11 audits fully completed, no audits had resulted in full assurance, 7 had received substantial assurance, four had limited assurance and none had nil assurance.

On the four areas receiving limited assurances, Members noted:

- (i) Parking – The concern had related to the unreliability of pay on foot parking machines. These had been replaced and processes improved;
- (ii) Performance Management – The main issue had been that the Key Performance Indicators were not aligned with the Council's Corporate Objectives;
- (iii) Community Services – The limited Assurance related to disabled facility grants. Subsequently, improvements had been made to internal controls; and
- (iv) Corporate Asset Management – The limited assurance was in respect of leisure leases renewal and condition surveys. A number of improvements had been introduced since the limited assurance category had been issued.

The Executive Head of Finance reported that the Council's internal control framework was adequate, effective and was being managed with due care and attention. This opinion was based on the work of Internal Audit, the opinion of the Council's external auditors, other assurance providers and regulators, plus the assurances that they had placed on the work of Internal Audit.

**Resolved, that the 2013/14 Internal Audit Annual Report be noted.**

Chairman