

**Minutes of the Audit Committee  
1 November 2018**

**Present:**

Councillor M.J. Madams (Chairman)

Councillors:

J.G. Kavanagh

H.A. Thomson

H.R.D. Williams

**Apologies:** Councillors C.A. Davis and Q.R. Edgington

**251/18 Election of Vice Chairman of Audit Committee**

It was proposed by Councillor Williams and seconded by Councillor Madams and **resolved** that Councillor H.A. Thomson be appointed Vice Chairman of the Audit Committee for the remainder of the municipal year 2018/19.

**252/18 Minutes**

The minutes of the meeting held on 26 July 2018 were approved as a correct record.

**253/18 Disclosures of Interest**

There were none.

**254/18 Corporate Risk Management**

The Internal Audit Manager reported that positive progress had been made in a number of areas and there were no red risk categories. The risks affecting the Council were summarised as outlined in the report and a number of items were highlighted, including information governance, system administrator roles, acquisitions and investments and procurement. An update on the monitoring of development works being undertaken on behalf of the Council was circulated and is attached to the minutes.

The Committee discussed a number of risks including those associated with the system administrator roles and where they should sit, staffing levels, the information governance development plans and risks associated with Surrey County Council's need to save £85m over the next year.

The Corporate Risk Register was considered to be an accurate reflection of the risks affecting the Authority and progress on actions was documented on the Register.

**Resolved that:**

1. The contents of the Corporate Risk Register be noted and accepted;
2. That the Corporate Risk Register be recommended to Cabinet for approval.

**255/18 Brexit**

The Committee were advised that central government were now starting to issue further information on Brexit and some technical papers had been received. It was considered that matters should become clearer in the next month or so. It was considered that the Council was not as exposed as some others due to the demographics and as a result of the Council not receiving any EU funding. The main risks were considered to be costs in the supply chain. It was likely that there would be change in public procurement regulations but not immediately.

The Committee noted the report and asked for an update at their next meeting so they could continue to assess any risks associated with Brexit.

**256/18 Update on outstanding external audit matters**

Joanne Lees, the KPMG partner with responsibility for the Council's audit, was unable to attend the meeting. KPMG had provided a concise status update of the areas they were working on.

The Committee noted the report and that KPMG anticipated the work would be completed by the end of November 2018. The Committee were concerned and very disappointed that there appeared to have been little progress made since July and KPMG's target for completion in August had not been met. The Committee discussed the options available to escalate the complaint process should the revised target date not be met. The Chairman asked to be kept updated of events.

**257/18 External Audit Plan update**

Leigh Lloyd-Thomas of BDO LLP, the Council's auditors from April 2018, was present at the meeting and advised the Committee that they could not access files until KPMG had issued the Value for Money statements for 2016/17 and 2017/18. If KPMG concluded their work before Christmas it would not be an issue, but he warned that beyond that would have a serious impact.

BDO advised that they were able to start on the transactional business and planning aspect of the audit prior to finalisation of KPMG's work.

**258/18 SBC Property/Relationship with External Auditor**

Deputy Chief Executive Collier outlined the commercial relationship between the external auditors, BDO LLP, and Spelthorne Borough Council following the Council's acquisition of Thames Tower, Reading. BDO have a number of offices and the terms of the lease for this particular office had been agreed with the previous owner of the premises.

A letter from BDO confirming that their Ethical Partner had considered the situation and concluded that it did not present a threat to their independence and objectivity was considered by the Committee.

The Committee noted the relationship and were agreed that it did not compromise the independence of the auditor.

**259/18 Report on the effectiveness of the system of Internal Audit**

The Internal Audit Manager presented her report on the effectiveness of the system of internal audit and gave an update on the external quality assessment referred to in the report.

An external quality assessment had been conducted as part of a three way reciprocal arrangement with two other Surrey borough councils and a draft report relating to Spelthorne Internal Audit had been received; this would be shared with the Committee once it had been finalised. The overall conclusion was that generally we conformed to standards and, if the areas for improvement are addressed, would be able to report substantial compliance with standards. The action areas highlighted were areas that the Internal Audit Manager had identified during the self-assessment process.

The Chairman thanked Punita for her report.

**Resolved** to note the report on the effectiveness of internal audit 2018/19.

**260/18 Internal Audit Interim Report**

The Internal Audit Manager presented her report which summarised the work undertaken by Audit Services during the period April 2018 to September 2018 and provided the Council with assurance on the adequacy of its internal audit systems of control. Attention was drawn to the positive feedback received in relation to the arrangement with Reigate and Banstead Borough Council for counter fraud work which had resulted in significant positive returns.

It was **resolved** to note the Interim Internal Audit report.

**261/18 Committee Work Programme**

The Committee considered its Work Programme for the remainder of the 2018/19 municipal year.

**Resolved** that the Committee Work Programme for the remainder of the 2018/19 municipal year, be approved subject to the addition of the following updates in March 2019:

- Recruitment and retention
- Procurement
- Brexit

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**MONITORING DEVELOPMENT WORKS – CORPORATE RISK REGISTER**

This briefing note has been provided by Heather Morgan, Group Head of Regeneration and Growth in response to risk category 15 on the Corporate Risk Register.

**Value for Money**

All works have been competitively tendered. A recent example is the soft strip at Ceaser Court where we had 4 bids and accepted one that is significantly cheaper than the other 3. We took this decision as it is low skilled work and whilst the management team are local, they have brought a team from Liverpool where labour rates are much cheaper. Also the main build works are being procured via the Newlon Framework where Tier 2 contractors have been through a pre-qualification and their rates (OH&P) have been competitively tested to get selected – it is also fully OJEU compliant.

**Adherence to Work Programme**

We maintain programmes, bills of quantities, schedules of work and use a tool called Earned Value to monitor spend against progress. This helps us establish at the earliest point where works are behind or at risk of delay. Where this has happened, we have looked to re-sequence works to recover time. An example of this is at the Bugle where the contractor was having problems with scaffolder attendances and the roofers could not access certain areas of the roof in order to keep up with the programme. Therefore we agreed to start internal first fix M&E works that are now 80% complete rather than the 20% anticipated. This means the roof is no longer on the critical path as we have accelerated works elsewhere in order to allow the programme to eventually catch up. If this continues then the delay should be eroded. We did a similar exercise at Churchill that enabled us to complete as scheduled.

**Ensuring quality/workmanship etc**

So far, we have only have two projects, the Bugle and Churchill which are small jobs. We have a QS/EA and myself that monitor quality and perform the quality control function. On larger jobs such as Ceaser Court, White House and Thameside House we will use a Clerk of Works to monitor; attendances will increase from 1<sup>st</sup> fix to PC.

**Site visits during construction**

These depend on the stages of construction. Through sub and superstructure phases, management will visit once or twice a month although our contract administrator/EA will attend more regularly. During the fit out process, visits to site will take place more regularly culminating in at least once weekly visits to monitor quality (even if we have a clerk of works). A client presence keeps the pressure on the contractor and his sub-contractors. We also undertake unplanned visits to monitor the contractors' approach to health and safety – this has been done with Stuart Mann as well as independently.

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