

**Minutes of the Audit Committee  
28 March 2019**

**Present:**

Councillor M.J. Madams (Chairman)  
Councillor H.A. Thomson (Vice-Chairman)

Councillors:

H.R.D. Williams

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

**93/19 Minutes**

The minutes of the meeting held on 1 November 2018 and the extraordinary meeting held on 5 February 2019 were approved as a correct record.

**94/19 Disclosures of Interest**

There were none.

**95/19 Annual Audit Letter 2016/17**

The Committee **resolved** to note the Annual Audit letter for 2016/17.

**96/19 Update from KPMG on Statement of Accounts 2017/18 and VFM Statement for 2017/18**

Terry Collier, Chief Finance Officer, advised that KPMG had not yet finalised reviewing the accounts for 2017/18 but had provided a draft audit report for the Committee's consideration. A draft Statement of Accounts for 2017/18 had also been included to give members an opportunity to comment on that and ask questions.

Joanne Lees, KPMG, said that their work on the statement of accounts was substantially complete, subject to cross-checking etc. The draft ISA260 gave a summary of the work undertaken on financial statements; there were considered to be four significant risks that required specific audit attention and KPMG were also mandated to consider two other areas of risk. Their findings were contained in the report and whilst recommendations for improvement had been identified for some areas, no exceptions were reported.

The KPMG report stated that in KPMG's view the Council had incorrectly applied the small company exemption to Knowle Green Estate Ltd (KGE Ltd), a wholly owned subsidiary company, and that subsidiary auditors should be appointed to audit that company. Transactions relating to KGE Ltd had been correctly consolidated into the Group accounts.

Joanne Lees advised that work in relation to the Value for Money statement for 2017/18 had not been completed and despite requests from the Committee, was unable to give any indication of when this might be finalised. The auditors were asked for the reasons for the delay and what they required from the Council to enable the work to be completed. The Committee reiterated their desire for the process to be completed as soon as possible, and expressed their dissatisfaction at the continuing delay which was impacting on staff and BDO, the external auditors for the current year.

The Committee **resolved** to note the report.

### **97/19 Procurement update**

Michael Graham, Head of Corporate Governance advised the Committee that responsibility for procurement had passed to Legal Services in January following the departure of the previous postholder.

An interim appointment, at a more senior level, had been made for a period of 6 months to review the strategy, requirements and approach. Discussions had taken place with stakeholders and opportunities identified for procurement. Benefits of the revised strategy would include:

- Better visibility of process for everyone
- A proper contract register to be put in place
- Thoroughly detailed business cases to ensure the best outcome
- Improved contract management

Consideration would be given to working with other local authorities when suitable occasions arose, for example on large construction projects where there was an overlap with local economy and the possibility of significant savings.

The Committee raised questions about comparative pricing, frameworks, and measuring success. Michael Graham advised that a good business case was key to the success of all major procurement initiatives. He was confident that with the Council's clear focus for the next five years, it would be possible to keep a close eye on contract management. Project planning tools would assist in this and they would liaise with the project management team on this front.

A Procurement Projects Group had been established which would meet monthly to advise stakeholders on the progression of items on the procurement plan, offer help and support, identify common issues, and identify training required. It was anticipated that the work of the Group could benefit Project Management as projects may be identified at an earlier stage.

The Committee thanked Michael Graham for the report and looked forward to receiving further regular reports on progress made.

It was **resolved** to note the update.

**98/19 Recruitment & Retention and Partnerships**

Sandy Muirhead, Group Head of Commissioning and Transformation gave an update to the Committee on recruitment and retention of staff.

The Council had moved to local terms and conditions of pay with effect from 1 April 2019. This had given flexibility to look at salaries in relation to local circumstances and affordability to ensure we are able to recruit and retain good quality staff.

Retention allowances can be paid to staff in 'hard to fill' posts or to retain staff for the duration of particular work or projects. Restructuring of teams had resulted in the removal of some allowances. In terms of recruitment to these roles, more specific technical sites and social media were being used.

The apprenticeship levy had been used on upskilling 19 existing staff and the appointment of 4 new apprentices.

Mental health wellbeing in the workplace initiatives were being planned and would be rolled out across the organisation.

**Resolved** to note the update.

**99/19 Brexit update**

Sandy Muirhead, Group Head of Commissioning and Transformation, presented an update to the Committee on Brexit. The lack of certainty about how the UK will leave the EU has made planning for post-Brexit very difficult. Brexit, as an issue, had been added to the Corporate Risk Register.

The report highlighted some of the perceived risks and the potential impact on the Council and the local area.

The Committee **resolved** to note the report.

**100/19 Corporate Risk Management**

The Internal Audit Manager summarised the risks affecting the Council as outlined in the report and was pleased to report that there were no items with a red status. However it was important that officers provided updates, and maintained ownership of their risks and the appropriate control measures.

The Internal Audit Manager drew attention to items that she considered may require closer monitoring as a result of changes taking place.

In view of the Council's change of focus from property investment to development, the Committee suggested that a new set of risks around construction liability, Health and Safety issues and tenancy related issues, should be incorporated into the register. It was agreed that this should be raised at the next meeting of the Health and Safety Group.

The Committee **resolved** to note the report and recommend it to Cabinet for approval.

**101/19 External Audit Plan 2018/19**

Leigh Lloyd-Thomas, BDO, presented an overview of the external audit plan for 2018/19, outlining the risks to be assessed, the reasons for examining them, and their planned approach.

Mr Lloyd-Thomas advised that BDO, as parent auditor, would look at KGE Ltd from the group consolidation position. They took a different view from KPMG with regard to exemption of KGE Ltd, as a subsidiary company, from an audit, however it was good practice to have one. The Chief Finance Officer advised that it had not been practical to do so for the last financial year due to the tight closing timescale and the need to close and consolidate the group accounts, however, it was planned to do so in the future, particularly in view of the potential increase in volume of activity in forthcoming years.

Mr Lloyd-Thomas advised that BDO were unable to view the 2017/18 audit file until KPMG had completed their Value for Money statement. Interim work had proved difficult as Spelthorne officers had been busy with KPMG work. It was hoped that BDO would be in a position to report back to the Audit Committee in September 2019 as transactional work would be completed by then, however it would depend on KPMG's work being finalised.

**Resolved** to note the external audit plan.

**102/19 Internal Audit Annual Plan 2019/20**

The Internal Audit Manager outlined the Annual Internal Audit Plan 2019-20 which sets out the work for the year, detailing planned assignments and corporate roles and responsibilities required to be undertaken by the team.

The list had been reduced and ranked in priority order at the request of the management team based on the manpower resource of the audit team. The Internal Audit Manager advised that they were also considering revising the timing of the audit planning to align more closely with the budget cycle so they could put forward a growth bid for consideration at the appropriate time. The Chief Finance Officer advised that management were aware that Spelthorne have fewer resources than other local authorities and were working within the budget set for the current financial year. There was an opportunity to look at the structure as part of a wider review at an appropriate time.

The Committee asked to be updated at the November meeting.

**Resolved** to note the internal audit annual plan.

**103/19 Anti-Fraud, Bribery & Corruption Strategy**

The Internal Audit Manager presented the report on the annual review of the Anti-Fraud, Bribery and Corruption Strategy. The Strategy forms part of the

Council's Constitution, is in line with best practice, and continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption.

The proposed amendments were set out in the report. In response to questions regarding collaboration with local housing associations to reduce housing benefit fraud, the Internal Audit Manager advised that this was slowly improving but the monopoly position had not been helpful with respect to the main social housing provider in the Borough.

Other options considered:

To make no changes to the Strategy, thereby not reflecting current practices or requirements.

**Resolved to:**

1. Endorse the Council's Anti-Fraud, Bribery and Corruption Strategy;
2. Recommend the proposed changes to the Anti-Fraud Bribery and Corruption Strategy to Cabinet for approval.

#### **104/19 Committee Work Programme**

The Committee considered its Work Programme for the 2019/20 Municipal year and agreed:

- the addition of an extraordinary meeting in September to discuss the 2018/19 audit if BDO were in a position to report back
- an update on resource for audit team is added to the agenda for the November Committee work.

**Resolved** that the Committee Work Programme for the 2019/20 Municipal year, be approved subject to the inclusion of the above.