

**Minutes of the Audit Committee
18 March 2021**

Present:

Councillor L. E. Nichols (Chairman)
Councillor J.R. Sexton (Vice-Chairman)

Councillors:

A. Brar	H. Harvey
S. Buttar	M.J. Madams

Apologies: Councillor M. Gibson

71/21 Minutes

The minutes of the meeting held on 26 November 2020 were approved as a correct record.

72/21 Disclosures of Interest

There were none.

73/21 External Auditors (BDO) update

The external Auditors BDO provided an update to the Committee on progress made on the 2018/19 accounts and arrangements for work on the 2019/20 accounts. BDO explained that they had not heard from KPMG and could not provide dates for the main audit until professional clearance had been given for them to proceed. BDO advised they were aware that KPMG were considering the options available to them under the Local Audit and Accountability Act 2014, in connection with the accounting of a number of the Council's transactions

The Deputy Chief Executive informed the Committee that officers and members had had a constructive meeting with KPMG on 17 March 2021. KPMG stated that they had not reached any conclusions in relation to any further action they might take, but they would discuss their draft conclusion with the Council when it was ready and allow it time to respond.

The Committee expressed their frustration at the ongoing delay in the finalisation of audit matters with KPMG.

In response to questions from the Committee, BDO explained that they had finalised a resourcing plan and specialist staff were ready to start the Housing Benefit Review in early April. BDO informed the Committee that the Department for Work and Pensions (DWP) were fairly relaxed about deadlines, that the initial January deadline had been flexed and there would be no penalties up to the end April provided a formal deferral of submission had been received.

The Chairman expressed his disappointment and dissatisfaction that the work was overdue and officers had not received information they had requested. The Deputy Chief Executive also advised that the Council had been concerned by the delay and confirmed that the Housing Benefits Manager had submitted a formal extension request.

74/21 Report on the effectiveness of the system of internal audit

The Internal Audit Manager outlined the findings of the annual review into the effectiveness of internal audit and confirmed that the overall conclusion from the self-assessment undertaken in February 2021 was that Spelthorne's internal audit function largely conforms with the Public Sector Internal Audit Standards (PSIAS).

In response to questions the Internal Audit Manager explained that an external assessment of conformance to the Public Sector Internal Audit Standards is carried out every five years and was last completed in 2018 when the Council undertook a three way reciprocal peer review with Elmbridge and Surrey Heath.

The Committee expressed concern at the timeliness of management responses and queried what could be done to improve this. The Internal Audit Manager advised the Committee that in the current context of COVID-19 pressures, corporate capacity was stretched and this had inevitably had an impact. The Group Head of Corporate Governance explained that officers were going to ensure the organisation engages with the audit process by raising the profile of the audit team and explaining the importance and value of audit. The Group Head of Corporate Governance also confirmed that each department signs the audit terms of reference prior to the audit commencing.

In response to questions the Group Head of Corporate Governance informed the Committee that although she was the Internal Audit Manager's direct line manager the dotted reporting line to the Section 151 officer (Chief Finance Officer) was normal as it allowed her direct access to the S151 officer and the Chief Executive.

The Committee resolved to note the Internal Audit Effectiveness Report for 2020-21 and agreed that they would like to receive an update on the timeliness of management responses at the next meeting.

75/21 Annual Audit plan report 2021/22

The Internal Audit Manager outlined the Annual Internal Audit Plan 2021-22 which demonstrated how the authority would fulfil its statutory and professional requirements to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices.

She reported that the plan was risk based and had been reviewed and reprioritised and, in view of the ongoing pandemic, focus had been given to COVID-19 related workstreams around response and recovery, emerging

risks across service delivery, whilst also auditing higher risk areas that align with Spelthorne's corporate priorities, and that Group Heads and managers had been consulted and this had helped shape the plan. She explained that Appendix 2 summarised the follow up work recently undertaken in relation to the agreed audit recommendations previously issued and sets out what is open (outstanding) or closed.

In response to questions the Internal Audit Manager explained that the audit team were advised that external auditors may come in to work with the Housing Benefits Manager and were waiting to hear if this would go ahead before arranging to do the internal audit to avoid a clash. She advised that the external auditors had confirmed they would complete their work in April, so the internal audit team had just started their work to ensure it was complete prior to the external audit.

The Committee queried how the internal audit team agree the terms of reference for non-service audits, such as climate change, commercial assets and investment and property investment. The Internal Audit Manager explained that they would set out the key scoping areas, the key risk considerations and encouraged managers to participate to identify specific risks.

In response to further questions the Internal Audit Manager informed the Committee that members would be invited to be involved in agreeing the terms of reference for non-service audits, including the budget setting process, if she thought it would be useful and appropriate to do so, but stressed that members must be mindful not to direct the work of internal audit.

The Chairman proposed a motion for suitable members to be involved in setting the terms of reference of wider audits, where appropriate, without compromising the work, independence or objectivity of internal audit. The proposal was seconded by Councillor Sexton and agreed by the Committee.

Resolved to;

1. approve the annual internal audit plan for 2021/22;
2. note the update summary on the 2020/21 audit workplan; and
3. that suitable members are to be involved in setting the terms of reference of wider audits, where appropriate, without compromising the work, independence, or objectivity of internal audit.

76/21 MHCLG Pilot Survey on Capital Data

The Deputy Chief Executive informed the Committee that the summary published with the supplementary agenda covered the key points and added that it had been a very useful process for Spelthorne and other councils to engage in the pilot. As a result, the survey had been modified by the Ministry for Housing Communities and Local Government (MHCLG) and made more comprehensive and meaningful and that the final return for Spelthorne on the revised survey would be circulated to the Committee.

The Committee agreed to note the update.

77/21 COVID-19 Risk Considerations update

The Group Head of Corporate Governance introduced the report and explained that all the information was provided in the report and appendices. The Deputy Chief Executive added that the report was very useful, and it was officers' intention to maintain it as a living document.

The Committee expressed the view that they had found Appendix 3 (Update Report to Audit Committee on the Impact of Covid-19 on the Spelthorne Economy) useful and asked how widely it had been shared. The Deputy Chief Executive advised that the work had been undertaken by the Economic Development team and circulated widely internally and externally. The Group Head of Corporate Governance further advised that the Committee's agenda was published online for the public to access.

The Chairman expressed concern that Appendix 2 (COVID-19 Economic Recovery Plan for Spelthorne) was not dated and there were no measures associated with it for the Committee to determine its success. The Deputy Chief Executive explained that he had already fed back the importance of dating and version control to the report author and that the document was an extract from a wider Recovery Plan which does have a SMART Action Plan.

Members noted the pressure COVID-19 had put on staff and Council services and queried how many had contracted COVID or had been affected by it. The Deputy Chief Executive explained that the Council's HR team do track the impact on staff and have periodically reported this to the Management Team. He also advised that the vaccination programme included front line staff as a priority and agreed that an update would be provided to Councillors at the next Councillor briefing.

The Chairman highlighted that in the minutes of the previous meeting the Committee requested feedback from the survey undertaken on the impact on major businesses, but the risk report stated a survey was still to be undertaken and asked when it would be completed. The Deputy Chief Executive explained that the Economic Development team were working flat out to process discretionary grant applications and did not have the capacity to run the survey at present, but it would be completed when possible and feedback provided to the Committee.

The Committee agreed to note the updated COVID-19 Risk Management report and appendices.

78/21 Corporate Risk Management

The Internal Audit Manager introduced the report and appendices and explained that the Corporate Risk Register had been developed with the aim to produce more concise reporting highlighting key areas of development and change. A summary of corporate risk management policy had been provided to make it easier for people to understand and the detailed risk register was now more digestible than the previous version.

The Internal Audit Manager advised that the risk action plan detailed the lead officers responsible for pursuing SMART actions which helped enable the Council to monitor progress on actions. In response to members' questions the Internal Audit Manager agreed that she could include a column to show when the Risk Action Plan had last been reviewed and by whom. In response to further questions she also confirmed that this column could also be added to the Corporate Risk Register.

In response to questions about the possible risks associated with the Council's commercial properties the Internal Audit Manager advised that this was something the internal audit team were mindful of and the Council had in place weekly rent collection review meetings. The Deputy Chief Executive added that the meetings were attended by the Leader, the Deputy Leader, and the Portfolio Holder for Finance and that both the worst case and expected case sinking fund scenarios for the next 10 years were reviewed and that for the most recent quarter the rent collection rate was 99.3%.

In response to further questions the Deputy Chief Executive explained that software to manage the Council's investment portfolio had considerable functionality and had gone live but that not all aspects were up and running yet.

The Committee queried how the outcomes from the Corporate Risk Management Group meetings were shared. The Deputy Chief Executive explained the group was made up of officers and union representatives to encourage feedback on issues from across all service areas and that issues were escalated via reports to the Council's Management Team.

The Chairman stated that he was pleased with the Corporate Risk Management Policy Quick Guide but felt that it was a bit dull and asked if it could be made more appealing. In response the Group Head of Corporate Governance advised that she would ask the Communications team if they could help her to do this.

In response to questions from the Committee, the Group Head of Corporate Governance and Deputy Chief Executive agreed that they were happy to receive positive dialogue from the Committee should they have any suggestions for improvements to the Corporate Risk Register and advised the Chairman that he was entitled to have sessions with the Internal Audit Manager to feed back any suggestions for further refinement.

The Committee expressed concern that the Housing section of the Corporate Risk Register was somewhat confusing and didn't reflect the wide area of work that could be covered under the Housing heading. The Deputy Chief Executive agreed that he would be happy to receive feedback from the Committee that he could then discuss with the Corporate Risk Management Group.

The Committee noted that a significant amount of work had been undertaken to make the Corporate Risk Register more user friendly and thanked officers for their work.

Resolved to note the report and recommend the Corporate Risk Register to Cabinet for approval.

79/21 Committee Work Programme

The Committee considered its Work Programme for the coming Municipal year.

The Committee noted that it would continue in its current form under the Committee system and that the Committee System Working Group had agreed an Independent Person should join the Committee as they felt it would be beneficial and was in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and advice from the recent Redmond Review. The Committee agreed that given the complexity of the Council's accounts an Independent Person would add value.

Resolved that the Committee Work Programme for the coming Municipal year, be approved.