

**Minutes of the Audit Committee
29 July 2021**

Present:

Councillor J.R. Boughtflower (Chairman)
Councillor T. Fidler (Vice-Chairman)

Councillors:

J.T.F. Doran L. E. Nichols

Apologies: Councillors H. Harvey and A.J. Mitchell

In Attendance: Councillor C. Bateson

277/21 Disclosures of Interest

There were none.

278/21 Minutes

The minutes of the meeting held on 18 March 2021 were approved as a correct record.

279/21 Recruitment of Independent Person

Victoria Statham, Group Head of Corporate Governance, presented her report setting out the proposed process to recruit an independent person to sit on the Audit Committee. Council had approved the proposal to include an independent member on the Audit Committee at their meeting on 25 March 2021 and the terms of reference for the Committee reflected this. The Chartered Institute of Public Finance and Accounting (CIPFA) advocate the benefits of having an independent member on an Audit Committee.

The Committee welcomed the proposal but questioned whether the allowance was appropriate for the role. The Group Head of Corporate Governance advised that the allowance had been set by the Independent Remuneration Panel as part of their annual review process and adopted as part of that. Research had been conducted into the allowance paid by other councils for a similar role and it had been noted that many do not pay an allowance at all. Another factor to consider was the allowance paid to other independent members who have chair or vice chair responsibilities for committees. It was acknowledged that there may be a need to review the allowance later once the requirements of the role are more established.

The Committee wished to move the recruitment process forward without delay and proposed that approval of the selection panel's recommendation to appoint was delegated to the Group Head of Corporate Governance so that the recommendation could then be considered by full Council on 14 October.

The Committee **resolved** to:

1. Approve the recruitment of an Independent Member of Audit Committee through public advertisement based on the recruitment pack; and
2. Approve a selection panel of three members consisting of Cllrs Boughtflower, Fidler and John Doran with a view to making a recommendation on the appointment of an independent member.
3. Delegate authority to the Group Head of Corporate Governance to approve the recommendation of the selection panel and recommend thereon to Council for consideration at their meeting on 14 October 2021.

280/21 Establishment of the Value for Money Working Group

The Committee considered the re-establishment of a Value for Money (VFM) Task Group as it was necessary for all task groups to be reconstituted following the change to a Committee system form of governance. The work of the group focused on the outstanding issue of the 2017/18 Value for Money Opinion which had not yet been provided by KPMG, the Council's previous external auditors.

The draft Terms of Reference for the VFM Group were circulated to members of the Committee and are attached.

It was proposed that the Chair and Vice Chair of the Audit Committee and two other members of the previous working group be appointed to ensure continuity in the Council's efforts to resolve the outstanding matters relating to the 2017/18 Value for Money Opinion.

The Committee **resolved** to appoint Councillors Boughtflower, Fidler, Nichols and Mitchell members of the Value for Money Working Group and approve the Terms of Reference.

281/21 Covid-19 Risk Considerations

The Internal Audit Manager presented a report to the Committee setting out the most significant risks and opportunities to Spelthorne Borough Council relating to the Covid-19 pandemic. The risk assessment attached as Appendix 1 to the report detailed the risk categories, set out mitigation measures and identified actions considered necessary.

The Committee were advised that this was the fourth update since the start of the pandemic and was a detailed and comprehensive risk assessment to capture relevant significant information and provide a reference point for officers and members. It also aligned with the wider recovery plan.

The economy continued to be a significant risk, and whilst initiatives were underway to support the recovery of businesses through a range of schemes, some factors were beyond the Council's control.

The Committee's attention was drawn to the Council's property investment portfolio which was performing significantly better than the commercial sector, and the income collection rate for 2020/21 was, at the time the report was produced 98.17% subsequently improved to 98.4% by date of the meeting. This was due to a robust approach in monitoring and recovering income due.

Housing had been identified as an emerging risk following the end of the moratorium on residential evictions as this could result in an increased demand on the Council for managing homelessness and housing service provision.

The Committee discussed the risks in some depth and when considering the staff resource, asked if the arrangements for staff returning to work/flexible working arrangements could be communicated to members to give a greater understanding of the arrangements and how they would operate across the services. The pandemic was raised and members given details of the number of staff affected and the impact on services. The route map for return to work in the offices had slowed because of this, however the Reception area opened last Wednesday.

The Committee asked for more information about the ICT security vulnerabilities identified and if all necessary action had been completed in relation to the phishing exercise or when it would be. They also asked if any data was held on trends relating to phishing attempts and other security incidents. They were advised that regular short IT training videos were sent to staff on cyber security issues which were mandatory.

It was confirmed that the Additional Restrictions Grant should be £2.2m and not £1.6m as stated on page 33 of the agenda pack.

The Committee discussed whether the Covid-19 risk assessment should continue in its present format or whether it should be pared down to focus on the high risk Covid-19 specific areas and incorporated into the Corporate Risk Register and linked to the corporate objectives on recovery. It was considered important not to lose sight of the potential risks but agreed that it might be an appropriate time to review the way in which the information was presented. The Internal Audit Manager agreed to review and send revised risk details to members for comment.

The Committee also noted that many risks were influenced by external factors over which the Council had no control, and it would be useful to identify these in some way. The Internal Audit Manager agreed to review and consider if risk factors could be identified as internal or external.

The Committee **resolved** to note the report

282/21 Corporate Risk Management

The Corporate Risk Register identifies strategic risks faced in achieving corporate objectives and how these are managed, monitored and reported.

The Committee were informed that work on the development of risk management continued with training planned for mid-September 2021. There had also recently been member training on the subject. A risk appetite statement was being developed and members would be informed as work progressed.

The Internal Audit Manager advised that risks continued to be influenced by external factors.

There were currently three risk categories with a red rating:

- Economy – it was acknowledged that there were many factors beyond the Council's control and dependent on national policy decisions. There were some initiatives underway to support the local economy and a dedicated Committee had been set up to consider and monitor economic development matters, including the recovery plan. The Committee asked if the risks could be broken down into lower levels that the Council could influence and improve. It was suggested that the Economic Development team was asked to provide key indicators for economic development in a simple, imaginative format.
- Housing – development and targets. As a result of comments made by the Audit Committee previously, the risk categories for Housing had been refined with one area focusing on development and targets, and another on affordable housing specifically.

Development and targets had been rated red due to the pandemic and the adverse impact of the Staines moratorium. There was also perceived to be a significant threat to the Council if development targets and the Local Plan were not delivered on time.

- Sustainability and climate change. Whilst steps were underway to address this subject, it was rated as a red risk as further action was required to establish a co-ordinated strategy for tackling climate change.

The Committee again commented on the external factors that were beyond the Council's control and the need to differentiate between external and internal factors to identify what we can do to mitigate those issues that were within the Council's control. This would help to measure the success of those actions taken.

The Committee noted that there were currently nearly 3,000 on the Housing Register and requested that this was broken into categories so that the success of actions taken could be measured. The Chief Finance Officer advised that the development of the West Wing and Harper House by the

Council would increase the affordable housing supply and demonstrated steps being taken to mitigate risk.

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

283/21 Annual Internal Audit Report 2020-21

The Committee considered the report which summarised the Internal Audit team's findings from their work during the year and set out the Internal Audit Manager's independent opinion on the adequacy of the authority's internal control environment. The opinion supports the Annual Governance Statement.

Appendix 1 set out the work undertaken by internal audit in greater detail and included the recommendations issued and assurance opinion for each audit carried out during the year. Further monitoring will be undertaken in November to coincide with the next progress report to the Audit Committee.

Other work streams, undertaken by the team including some corporate tasks that were undertaken in the year) were also outlined.

The Internal Audit Manager advised it was useful to look at the report in conjunction with key themes and issues some of which were set out 1.8 of the report and highlighted several areas of good practice.

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

284/21 Annual Governance Statement 2020-21

The Chief Finance Officer presented the draft Annual Governance Statement (AGS) for 2020-21-20. The purpose of the AGS was to provide assurance regarding the Council's governance arrangements. The format and wording of the AGS are based upon official guidance.

The statement lists the key elements of the Council's governance framework; those systems and processes which must be effective if there is to be a high standard of governance across the Council. It also identifies any areas of significant weakness in internal controls, areas for improvement, and the actions taken to remedy those.

The draft AGS was published in May as part of the draft Statement of Accounts with input provided by a number of officers. The AGS was now presented to the Audit Committee to give them the opportunity to make further comments and suggestions for inclusion prior to it being published as part of the annual Statement of Accounts. It would then be reviewed by the external auditors to check it appeared consistent with their understanding of our arrangements and then reported back to Audit Committee.

This year there were some additional forms of assurance through the LGA Finance Peer review and work on the CIPFA Management Code Self-

Assessment. The Committee asked that reference to the LGA fFinance Peer review and the action plan arising from that was expanded upon to further demonstrate how we strive to learn and improve.

The Committee **resolved** to approve the Annual Governance Statement subject to the inclusion of information about the LGA Finance Peer Review and the resultant action plan.

285/21 Counter Fraud, Bribery & Corruption Strategy

The Internal Audit Manager presented the report on the annual review of the Counter 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.

Only minor changes were proposed to the strategy and these were highlighted in blue in the report.

The Internal Audit Manager advised that opportunistic fraud had increased during the pandemic and the Council had regularly alerted members, officers and the community of scams and suspicious communications. Staff awareness of the whistleblowing policy and other relevant policies had been promoted through staff meetings.

The Council also continued to collaborate with the specialist counter fraud unit at Reigate and Banstead Borough Council and positive outcomes had been produced particularly in Housing. The Internal Audit Manager advised that the emphasis continued to be on fraud prevention as the most effective method of tackling the issue. The team continued to seek opportunities to reduce fraud by working with colleagues, partners and registered housing providers and were investigating data matching initiatives with Reigate and Banstead Council and another third party.

The Committee were pleased to note that our policies aligned with other local authorities and that opportunities to mitigate risks were actively sought.

The Audit Committee asked if training on this subject was mandatory and if not, that consideration could be given to making it so. The Group Head of Corporate Governance and Internal Audit Manager agreed to pursue this action.

The Committee **resolved** to:

1. Endorse the Council's Counter Fraud, Bribery and Corruption Strategy
2. Recommend the changes to the Counter Fraud, Bribery and Corruption Strategy to the Council for adoption.

286/21 Committee Work Programme 2021-22

The Committee considered its Work Programme for the remainder of the 2021-22 Municipal year.

Resolved that the Committee Work Programme for the remainder of the 2021/22 Municipal year, be approved subject to:

- (a) Removal of the recruitment of independent person to the November programme
- (b) Inclusion of VFM Working Group update
- (c) Possible inclusion of an extraordinary meeting to review LGA Finance Peer Review action plan and CIPFA management self-assessment (subject to discussions between Chair of CPRC and Chair of Audit Committee)

287/21 External Audit update

Barry Pryke, Senior Manager at BDO, advised they were working on the accounts for 2018/19 to the 2020/21 but were unable to progress until the previous auditor had finalised the Value for Money Opinion for 2017/18.

Barry provided an update to the Committee on progress made on the housing benefit assurance procedures and the Council's 2019/20 housing subsidy claim form. It was substantially complete and now going through the internal review process. It was hoped to submit the report and certificated return by mid-August, subject to anything arising from the review. It was understood the Housing team were in touch with the Department of Work and Pensions and keeping them up to date.

In response to a question from the Committee asking if the delay would result in an increase in fees, Barry advised that they were looking at 3 years' worth of audits and Value for Money Opinions, and would be guided by the scale fees. It would be necessary to look at how best the work can be delivered and whether to take each year in turn or deliver similar elements of each year together. It was too early to determine what impact it would have on the fees at this stage or what delivery was likely to look at. However, plans would be brought to the Committee and fees would be part of that.

The Chief Finance Officer was asked if the Council was making accrual positions for the relevant years and advised it was difficult to accrue until there was something to base the figures on but had built provision in the budget for audit fees.

In response to a question about assurance work in relation to Homes England grant funding, it was agreed that the Chief Finance Officer and BDO would discuss this after the meeting.

The Chief Finance Officer provided an update on the work of the previous auditors, KPMG. They had declined to attend the meeting but indicated that they would be willing to meet the VFM Working Group and arrangements

would be made for this. A clear commitment would be sought from them on when they expected to issue the VFM Opinion.

The Chief Finance Officer advised that due to time elapsed since work on statement of accounts for 2017/18 (which was reported in Feb 2019) KPMG were required to ask the Council to comment on post balance sheet events. There had been a number of significant events including Brexit and the Covid-19 pandemic and they will need to ask for assurance information regarding this. Some information had been provided and further questions were awaited around those issues.

There had also been discussion with KPMG about the additional fees required in respect of the delayed 2016/17 VFM Opinion.

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

VALUE FOR MONEY WORKING GROUP

DRAFT TERMS OF REFERENCE

Membership

4 members from Audit Committee

Members: - The Chair and Vice Chair of the Audit Committee and two other members of the Committee

Attendance: - Members are not obliged to attend in person and may attend the meeting by electronic means via conference call or similar.

Officers in attendance: - Chief Executive, Deputy Chief Executive (s 151) and Group Head of Corporate Governance (Monitoring Officer) and any other officer by invitation.

Responsibilities

Progression of receipt of Value for Money opinion for 2017/2018

To receive updates from officers on the progress of receipt of the value for money opinion for 2017/2018 from the Council's external auditors at the time (KPMG) and the next steps to be taken.

To act as a point of contact for discussions with officers on the facilitation of receipt of the value for money opinion for 2017/2018 from the Council's external auditors.

To act as a point of contact for discussions with KPMG on the facilitation of the receipt of the value for money opinion for 2017/2018.

To make recommendations to the Audit Committee on any matters requiring decisions which emerge during the progress of obtaining that value for money opinion.

To report the outcome of the value for money opinion to the Audit Committee indicating action required (if any) resulting from that opinion.

Frequency

Day-time meetings as required.

Decision and minutes

This review group has **no** formal decision-making powers.

Any matters which require a Councillor decision will require a report to the Audit Committee for their decision.

Minutes will be taken and these minutes will be placed on the secure area of mod.gov for all councillors but are to remain confidential.

As a task and finish group this group will working group will cease following the report of the 2017/2018 value for money statement to the Audit Committee.

DRAFT