

**Minutes of the Audit Committee
7 November 2019**

Present:

Councillor J.R. Sexton (Chairman)
Councillor C.F. Barnard (Vice-Chairman)

Councillors:

S. Buttar	A.C. Harman	V. Siva
J.H.J. Doerfel	L. E. Nichols	

Apologies: There were none.

283/19 Minutes

The minutes of the meeting held on 25 July 2019 were agreed as a correct record.

284/19 Disclosures of Interest

There were none.

285/19 Confidential Reporting Code

The Confidential Reporting Code forms part of the Council's Constitution and sets out how to raise serious concerns about any aspect of the Council's work. The Audit Committee is required to review the code annually.

The Head of Corporate Governance advised that a review of the Code, using a benchmarking tool, had highlighted some areas for improvement and suggestions had been proposed for the Committee to consider. The benchmarking tool was designed for use by a wide range of organisations and therefore some of the standards would not be appropriate for the Council.

Questions were asked about the type and regularity of communications to staff to build awareness of the Code. Concern was also expressed at the low number of reported whistleblowing incidents and that this may not reflect the true situation. The Head of Corporate Governance advised that some instances would have been dealt with through other procedures, for example bullying and harassment by Human Resources and not brought to this area.

The Committee suggested it would be appropriate to arrange a staff survey by an external organisation on a number of issues and recommended that consideration is given to this.

Resolved:

1. That the Head of Corporate Governance should carry out further work on improving the Confidential Reporting Code and bring it back to the

Committee for consideration. The Head of Corporate Governance will provide a timeline to the Committee for this.

2. To recommend that the corporate management team consider appointing an external organisation to conduct an anonymous staff survey on a range of issues.

286/19 Update on Audit Services team resource

Terry Collier, Deputy Chief Executive, advised the Committee that a growth bid for the Internal Audit team had been submitted for consideration, together with bids from other departments, as part of the budget process for 2020/21. The proposals would be considered and then put to Cabinet and subsequently to Council for approval in February 2020.

The Internal Audit Officer outlined the historical structure of the team and cited her rationale for the extra resource, namely that the Council's operations had expanded considerably and therefore the level of risk had also increased. Audit planning processes had highlighted the shortfall of resource compared to need. The shortfall had been supplemented in terms of flexible resource but this had created some additional issues.

Resolved to note the update and record the Committee's support of the proposal for additional resource for the Internal Audit team.

287/19 Corporate Risk Management

The Internal Audit Manager reminded the Committee that changes were envisaged for the Corporate Risk Register, following the recent training session, to provide a greater focus on corporate objectives, with fewer risk categories, and identify the risks associated with those. The strategic planning process would also be taken into account.

The Internal Audit Manager summarised the risks affecting the Council as outlined in the report and highlighted a number of key issues, including cyber security, the proposed Heathrow expansion and the resultant risks for the borough, the environmental risk around climate change and political aspects connected to Brexit.

Terry Collier, Deputy Chief Executive, reported that the corporate management team were receptive to the proposals put forward for a more focused risk register relating to key priorities and looked forward to working with the Internal Audit Manager to move that forward.

The draft format for the Corporate Risk Register was to be presented back to the Committee for comment in January.

Resolved that:

1. The contents of the Corporate Risk Register be noted and accepted;
2. The Corporate Risk Register be recommended to Cabinet for approval.
3. The Committee support the changes proposed to the Corporate Risk Register.

288/19 Internal Audit Services half-yearly report 2019/20

The Internal Audit Manager presented her report which summarised the work undertaken by Audit Services during the period April 2019 to early/mid October 2019 and work in progress. In addition to planned assurance reviews, other work had been undertaken including reactive and proactive advice given to services on risk and control actions. The counter fraud arrangements with Reigate & Banstead Borough Council had proved effective and resulted in good returns. A growth bid in relation to this had been secured and a business case submitted.

The Internal Audit Manager indicated that she would like more involvement in emerging risks to give further insight and value in that area.

In response to a question from the Committee, the Internal Audit Manager spoke of the importance of trying to gain the support of staff and for the audit team to be viewed as being there to help rather than hinder. She was endeavouring to raise awareness and promote understanding of the role by attending meetings of the Heads of Services.

Questions were raised about some of the issues in the interim report. Specific concerns related to the project governance and procurement reports and recommendations. The Head of Corporate Governance responded to questions about procurement advising that a great deal of improvement work was taking place. He outlined the changes to strategy and operational measures that had taken place since procurement had been under his remit and the reasons the changes were necessary.

Resolved to note the Interim Internal Audit report.

289/19 Annual review of the effectiveness of Internal Audit 2018/19

The Internal Audit Manager presented her report on the effectiveness of the system of internal audit outlining the core principles and requirements they are required to adhere to.

An external quality assessment was undertaken in 2018/19 which resulted in some areas of good practice and also some improvement actions being identified. The Internal Audit Manager provided an update on those items which were in progress but had not yet been fully implemented.

The importance of the organisation supporting audit was one of the action points and the Internal Audit Manager advised that regular meetings were being set up with the Chief Finance Officer and the Chief Executive. Independent meetings with the Chief Executive would be set up if considered necessary.

Terry Collier, Deputy Chief Executive, advised the Committee of the introduction of the CIPFA Financial Management Code which provides

guidance for good and sustainable management in local authorities. The Council were engaging with CIPFA on this and would be holding a workshop at the Council offices. It was stressed that this was for all managers, and was not just a finance function. Once the initial training had taken place, the Committee would be provided with an update.

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

290/19 Update from BDO, External Auditors

BDO, the External Auditors, did not attend the meeting as there was little to report due to the delay in KPMG, the previous external auditors, finalising the Statement of Accounts for 2018/19 and issuing the Value for Money opinion.

Terry Collier, Deputy Chief Executive, advised that KPMG are still considering their value for money opinion and had recently requested additional information. Officers were hoping to respond quickly to try to bring the situation to an end. Arrangements will be made for BDO to come to complete their work as soon as possible.

The Committee expressed their dissatisfaction with the situation and considered the options available to record their concern at the lack of progress and how KPMG could be brought to complete their findings.

Resolved to note the update and escalate concerns to Public Sector Audit Appointments Ltd (PSAA) if KPMG have not completed the value for money opinion by the end of 2019.

291/19 Committee Work Programme

The Committee considered its Work Programme for the remainder of the 2019/20 Municipal year.

Resolved that the Committee Work Programme for the remainder of the 2019/20 Municipal year, be approved.