

**Minutes of the Audit Committee**  
**23 July 2020**

**Present:**

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

Councillors:

C.L. Barratt	J.T.F. Doran	M.J. Madams
R. Chandler	H. Harvey	

**In attendance:** Councillors Attewell, Bateson, Buttar, S. Doran, S. Dunn, Grant, I. Harvey, Islam, McIlroy, Noble, Saliagopoulos, Sider, Smith-Ainsley, Spoor

**Apologies:** There were none.

**148/20 Appointment of Chairman**

It was proposed by Councillor J. Sexton and seconded by Councillor J. Doran that Councillor L. Nichols be appointed Chairman of the Audit Committee for the municipal year 2020-21.

It was proposed by Councillor C. Barratt and seconded by Councillor R. Chandler that Councillor M. Madams be appointed Chairman of the Audit Committee for the municipal year 2020-21.

**Resolved** that Councillor L. Nichols be appointed Chairman of the Audit Committee for the municipal year 2020-21.

**149/20 Minutes**

The minutes of the meeting held on 7 November 2019 were approved as a correct record.

**150/20 Appointment of Vice Chairman**

It was proposed by Councillor L. Nichols and seconded by Councillor A. Brar that Councillor J. Sexton be appointed Vice Chairman of the Audit Committee for the municipal year 2020-21.

It was proposed by Councillor R. Chandler and seconded by Councillor C. Barratt that Councillor M. Madams be appointed Vice Chairman of the Audit Committee for the municipal year 2020-21.

**Resolved** that Councillor J. Sexton be appointed Vice Chairman of the Audit Committee for the municipal year 2020-21.

Councillor C. Barratt left the meeting after this item.

**151/20 Disclosures of Interest**

There were none.

**152/20 Draft Corporate Risk Management Policy**

The Chief Finance Officer presented the draft Corporate Risk Management Policy to the Committee. This had been refreshed following a training session held with members of the Audit Committee in 2019 and feedback from the Corporate Risk Management Group. The policy outlined the Council's approach to the management of risks and opportunities using a structured, focused approach. It was proposed that, in line with this, the Corporate Risk Register will focus on a smaller number of corporate risks that impact on the delivery of corporate objectives.

The Committee were asked for their views on the proposed policy and suggestions were invited to refine it. Whilst the Committee appreciated the detail contained in the policy, they considered it important that the document was as easy to read as possible for everyone and key points highlighted for ease of reference. It was agreed that a pared down, visually appealing summary version would be prepared in particular highlighting the policy "musts" from guidance, and circulated to the Committee, relevant colleagues and the Corporate Risk Management Group for their comments.

**153/20 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 noted that financial sustainability was highlighted as a red risk and asked what indicators were used to measure this and the thresholds for success and failure. The Deputy Chief Executive advised that extensive, regular monitoring of a number of areas including rental income, performance and budget monitoring of quarterly periods, sinking funds, council tax and business rate collection took place. The Council also shared, along with other Surrey local authorities, access to recognised experts in this field and had asked them to provide additional monitoring advice across all income streams as an additional health check. Regular feedback was also provided to Cabinet and the Overview and Scrutiny Committee.

It was anticipated that the rating for financial sustainability would remain at red until there was a clear understanding of the broad economic impact on the borough of Covid-19, particularly taking into account impacts on the airport and logistics industry, retail sector and the ending of the furlough scheme in October and the national government's local authority funding stance among other considerations.

The Committee were advised that the Covid-19 risks would be maintained for the remainder of this financial year and reported to Audit Committee. The situation would then be reviewed.

The Committee thanked the Internal Audit Manager for a comprehensive report and **resolved** to note the contents of that report.

#### **154/20 Corporate Risk Management report**

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 and overall positive progress had been made in a number of areas. However it was important that officers provided timely updates, and maintained ownership of their risks and the appropriate control measures.

The Corporate Risk Register was presented in its current format but focusing on the key corporate risks and priorities. A mock risk example in the proposed new format was also attached for members' comments relating to the housing priority.

After discussion it was agreed that the Chairman and Vice Chairman would meet with the officers and discuss ways in which the Corporate Risk Register could be modified to ensure it was simple to maintain, clear and easy to understand.

The Committee agreed to note the report and recommend the Corporate Risk Register to Cabinet for approval.

#### **155/20 External Audit 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. They had been hampered partly by the delay in KPMG, the previous Auditors, signing off the previous accounts and Value for Money statement for 2017/18 and because not all the required information was available. BDO were however hopeful that the audit of both the 2018/19 and 2019/20 accounts would be completed in October. Work had been done on tidying up the asset register and working through outstanding lease queries.

The Deputy Chief Executive advised the Committee that a formal complaint had been made to KPMG regarding the delay in finalising the accounts and Value for Money Statement for 2017/18. A holding response had been received from KPMG and further information was awaited.

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

It was agreed that a meeting would be arranged to brief the Chairman on the external audit process with the Chief Finance Officer and Leigh Lloyd-Thomas of BDO.

**156/20 Internal Audit Annual Report 2019-20**

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.

The Internal Audit Manager highlighted areas where recommendations had been made for improvement. 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. All other work including some corporate tasks that were undertaken in the year were also outlined.

Questions were raised regarding the level of GDPR training provided to staff and managers and what was deemed sufficient. Concern was expressed that the report was devoid of target dates for actions or completion dates and it was agreed that these would be provided in future to assist the Committee in supporting the internal audit team. The Committee also commented that it would be useful for the report to contain details of audits closed during the year.

It was agreed that the Chairman and Vice Chairman would work with officers on the format of the report to ensure it met the needs of the Committee.

The Committee resolved to note the Internal Audit Annual Report for 2019-20.

**157/20 Annual Governance Statement 2019-20**

The Chief Finance Officer presented the draft Annual Governance Statement (AGS) for 2019-20. The purpose of the AGS is 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 identifies any areas of significant weakness in internal controls, areas for improvement, and the actions taken to remedy those. The impact of Covid-19 was considered the biggest risk facing the Council at present and was included together with other issues such as the sustainability of local government, investment assets, a review of the constitution and Knowle Green Estates.

The Head of Corporate Governance advised that the annual letter from the Local Government Ombudsman had been received since the draft AGS was written and would update it with that information. It was agreed that the

paragraph on sustainability should be amended to accurately reflect the Local Plan.

It was agreed that a number of detailed points would be sent by the Chairman to the Head of Corporate Governance for consideration. The Annual Governance Statement would be recirculated once the proposals had been considered and amendments made.

It was **resolved** that the draft Annual Governance Statement be approved in principle and the improvement actions identified in the Statement endorsed subject to the above.

#### **158/20 Internal Audit Annual Plan 2020-21**

The Internal Audit Manager outlined the Annual Internal Audit Plan 2020-21 which demonstrated how the authority would fulfil its statutory requirement 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 had been reviewed and reprioritised to include emerging and evolving risks, new processes and broader implications arising from the Covid-19 pandemic. Work in the first quarter of the year had focused on supporting the corporate emergency response to Covid-19 and completing prioritised 2019-20 audit work to inform the annual audit opinion. A priority rating had been assigned to the proposed work for the remainder of the year giving consideration to emerging and current risks facing the authority.

In response to questions from the Committee, the Internal Audit Manager advised that contractor resource was used for areas where more specialist knowledge was required, such as auditing of IT.

**Resolved** that the Committee note the revised Internal Audit Plan 2020-21.

#### **159/20 Anti-Fraud, Bribery and 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.

Fraud was now considered to be the most prevalent crime in the UK and a number of anti-fraud initiatives had taken place including:

- Promoting awareness of high risk public fraud through organised training sessions to relevant teams
- Continued procurement of counter-fraud services from Reigate and Banstead Borough Council, which had produced positive outcomes
- Increased focus on social housing fraud
- Evidence based fraud reporting system and quantifiable reporting of estimated financial savings (public fraud)

A number of minor amendments were proposed to the Strategy and were highlighted in the report attached at Appendix 1.

The Committee suggested further refinement of paragraph 3 of the strategy to provide more clarity and with regard to paragraph 7, that it should be the duty of staff to raise concerns rather than 'encouraged to raise concerns'.

**Resolved to:**

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

**160/20 Committee Work Programme**

The Committee considered its Work Programme for the remainder of the 2020-21 Municipal year.

**Resolved** that the Committee Work Programme for the remainder of the 2020-21 Municipal year, be approved subject to the addition of further training sessions for Audit Committee members before the next meeting in November 2020.