

**Minutes of the Audit Committee
25 November 2021**

Present:

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

Councillors:

S. Buttar J.T.F. Doran

Substitutions: Councillor C. Bateson

Apologies: Councillor A.J. Mitchell

In Attendance: Councillors H Harvey and M. Beecher

Councillor Helen Harvey (a member of Audit Committee) attended the meeting virtually and was therefore unable to vote.

590/21 Minutes

The minutes of the meeting held on 29 July 2021 were approved as a correct record.

591/21 Disclosures of Interest

There were none.

592/21 Risk Appetite Framework

Elizabeth Humphrey, a local governance consultant, informed the Committee that she had had some initial discussions with officers on a Risk Appetite Framework for the Council and how to progress this. Following streamlining of the Council's risk management arrangements, it was thought an appropriate time to consider and progress this.

Elizabeth explained that risk appetite varied according to circumstances, time and from person to person. Within an organisation it became more complex and there was a need to consider the nature and level of risk Spelthorne Council was prepared to take, tolerate and accept to attain objectives and priorities, but in a consistent and rational way.

Elizabeth advised that work had begun on developing an initial framework to create a uniform approach. This would help members to make more informed, transparent and consistent decisions based on the risk levels and provide clarity to officers on what decisions members were prepared to take based on acceptable tolerance levels established as part of setting Spelthorne's risk appetite. It was intended to determine risk appetite over a number of areas (impact measures), and this would be discussed and agreed by councillors and officers. It was hoped that an initial draft of the framework would be available in early 2022 for members to comment upon and this would help to explain what was quite an abstract concept.

Councillors were supportive of the idea and noted that it fitted in with the Local Government Association (LGA) Corporate Finance Peer Review and should help streamline decision making. One member asked that core and discretionary aspects of the Council's work be included in the document. It was agreed that an informal discussion with both members and officers participating would be useful prior to the next formal meeting of the Audit Committee on 24 March 2022.

One member asked if other local authorities were adopting the same approach and if it was considered best practice. Elizabeth advised that she was receiving more requests for assistance with this than in the past as authorities considered ways of improving decision making, possibly as a result of the pandemic.

In response to a question asking if the framework would be regularly reviewed, Elizabeth advised that it would be necessary to review and tweak it after approximately 6 months to ensure it was suitable for Spelthorne's circumstances, and in the current climate it would be sensible to regard it as a living framework and review it regularly.

The Chair thanked Elizabeth for summarising the matter so clearly.

593/21 Corporate Risk Management

The Internal Audit Manager presented her report outlining work undertaken around risk management. The Committee were advised that training had been delivered to managers to raise awareness, explain the corporate approach and need to integrate risk management into all service functions and corporate processes.

The Corporate Risk Register, attached at Appendix 1 to the report, outlined strategic risks which may impact the delivery of corporate priorities and objectives. Members of the Committee had requested at their last meeting that the register was updated to distinguish external factors where risk mitigation measures may be limited or beyond the control of the Council and these had been highlighted in blue in the register.

Key issues highlighted included housing developments and targets, the provision of affordable housing, the economy, and sustainability and climate

change. The most significant risks had been assigned a red RAG rating. A new risk added to the category related to the inadequate strategic direction provided by the Council for Knowle Green Estates (KGE) and Appendix 2 to the report contained a recommended risk action in relation to this.

One member asked for clarification on the housing register numbers as 1,500 of the 3,000 on the list were classed as low housing need. It was agreed that it was important to fully understand the housing need locally and that a breakdown of each category should be provided. Officers undertook to provide a response to members informed by the Housing team.

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

594/21 Covid-19 Risk Considerations

The Internal Audit Manager presented her report on the Covid-19 Risk Assessment. The Risk Assessment had been reduced to focus specifically on the high level risks for Spelthorne and some of the risk categories aligned with the Council's recovery plan and objectives. As requested by the Committee, the document had been amended to highlight those risk categories significantly impacted by externalities and therefore distinguish areas where the Council had little or no control. The document also included those risk categories where the Council is in a position to apply greater local control and mitigation measures.

As requested by the Committee at the July meeting, the position on establishing key performance indicators (KPIs) for economic recovery was provided and referred to in the cover report.

The Internal Audit Manager highlighted key issues and actions being taken to mitigate those risks.

In response to a question asking if the increased number of Covid-19 cases and the possibility of a further lockdown was perceived as a risk, members were advised that it was not thought that we were at that stage at the moment. Weekly Borough Emergency Committee meetings were being held, trends checked and action taken to inform and update residents. There were differing views among medical experts and it was difficult to anticipate what would happen during the winter months. The Chief Finance Officer also advised that as a result of government funding, a Household Support Fund went live on 29 November to assist those residents struggling to meet rising food and energy costs.

It was noted that an incorrect version of the report had been added to the agenda and the final version including reference to the Chancellor's Budget announcement would be published with the minutes of the meeting.

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

595/21 Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code Self-Assessment

The Chief Finance Officer advised that incorrect documents had been added to the agenda, consequently there was one change to the report that was not in the published version. The final version of each document will be included with the minutes of the meeting.

The Committee were advised that both the LGA Action Plan and CIPFA self-assessment were regarded as living documents which will be regularly reviewed and updated. He highlighted key points and the action taken.

The Chief Finance Officer advised that the coming Budget would be challenging following the impact of Covid-19 and so the LGA Peer Review had been timely as had the revised corporate priorities and values. There was some overlap between the LGA Peer Review and the CIPFA Management Code which comes fully into effect in the next financial year but had been put into practice at an early stage by the Council.

A member expressed concern that with the Council's new Committee structure there was no longer an Overview and Scrutiny Committee and asked what steps were being taken to ensure that effective scrutiny took place. It was acknowledged that it was a difficult area as Committees were expected to scrutinise their own decisions. The Committee System Working Group was to meet in January 2022 and effective scrutiny was one of the matters they would be considering.

The Monitoring Officer advised that there were two areas that were legally required to be scrutinised, one of which was crime and disorder, and this had been considered by Neighbourhood Services Committee during their September meeting.

The Committee **resolved** to note the report subject to the final versions of the documents being included with the minutes.

596/21 Retender of External Audit Contracts

The Chief Finance Officer presented his report regarding the re-tender of external audit contracts for the five year period from 2023/24.

The process by which external auditors are appointed is set out in local audit regulations. There were three options available to Spelthorne:

- (a) Opt into the scheme whereby the Public Sector Audit Appointments (PSAA) entity manages the process of inviting bids, evaluation them and deciding which firm audits which council.

- (b) Spelthorne could conduct their own appointment process; this would necessitate creating a special panel, following detailed regulations and a special resource process
- (c) Identify and join with a number of other councils making their own arrangements and create a joint panel with those.

Feedback from other Surrey councils was that they intended to opt into the PSAA option. It was considered this would give the best outcomes as the alternatives were likely to be more costly, involve a considerable amount of time and resource and it may prove difficult to appoint a qualified auditor.

It was recognised that there were challenges in the external audit sector for local government in terms of the work required and the fee level set.

The Committee asked if there would be clarity on what extra charges could be expected particularly in view of our investment portfolio. The Chief Finance Officer explained that whilst all fees would be increased, it was difficult to know to what extent until the bids had been received and evaluated and this would not be known at the time of opting into the scheme. The audit firms did not know which councils they would be allocated at the time of submission of bids and some authorities had higher levels of commercial activity than others.

David Eagles, Senior Partner BDO, advised that whilst he was not advocating any particular option, he was aware of some NHS Trusts who had tried and failed to appoint an external auditor through their own process. There was a genuine risk of capacity issues in terms of the public sector market and so a potential benefit of PSAA was you did guarantee getting an external auditor.

The Committee **resolved** to make a recommendation to Council to opt into the national scheme managed by Public Sector Auditor Appointments as the "Appointing Person".

597/21 Confidential Reporting Code (Whistleblowing Policy)

The Group Head of Corporate Governance advised the Committee that she had conducted a review of the Confidential Reporting Code. The Code sets out how to raise serious concerns about any aspect of the Council's work, who to raise them with and how they should be dealt with. It had been comprehensively reviewed the previous year and was considered still fit for purpose. The only change required was the change of name from Members' Code of Conduct to Standards Committee as a result of the change to a Committee system form of governance.

A member asked if the Confidential Reporting Code was being used, as that was one method of checking its suitability and was advised that it had been operated.

Another member asked if it had been checked with Unison. The Head of Corporate Governance advised that it had been as part of last year's review,

but not on this occasion as it had not been changed however she was happy to do so if required.

It was **resolved** to note that the review of the Confidential Reporting Code by the Monitoring Officer had taken place and agreed to retain the current policy.

598/21 Appointment of Independent Person to Audit Committee

The Group Head of Corporate Governance advised the Committee that she could only provide limited information as the recruitment process was still ongoing.

The standard of applications received was good. One applicant had been interviewed by the panel and an interview with another applicant was in the process of being arranged. The applicant interviewed was of a high calibre, had interviewed well and was considered suitable.

A report would be prepared with a recommendation to Council once a response had been received from the second candidate. It was hoped that this would be in time for the full Council meeting in December.

Members agreed it would be useful to meet the successful applicant before the next formal Committee meeting.

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

599/21 Internal Audit Interim Report

The Internal Audit Manager presented her report which summarised the work undertaken by the Internal Audit team for the period April to October 2022.

In addition to the planned audit reviews there were other workstreams carried out by the team adding value and in support of the Council's priorities and objectives. The Internal Audit Manager highlighted the counter-fraud initiatives undertaken through collaborative working with partners and the consequent significant savings to the Council. A targeted data matching initiative in conjunction with Housing and registered providers was being developed and if funding was approved it was anticipated this could result in positive outcomes in respect of social housing fraud.

The latest version of the report had not been included in the agenda documents. The final version of the report, included with the minutes, provided an additional table with the total potential savings and financial losses prevented should the data matching exercise proceed. These potential savings were based on professional guidance in terms of the percentage of social housing tenancies estimated to be fraudulently occupied. Furthermore, they were based on an assumption that where fraudulent occupancy was proven all properties were subsequently recovered with keys returned, although the actual number of properties recovered/keys returned were likely

to be less. It was difficult to predict or forecast the actual number of properties recovered as a bulk data matching exercise of a social housing portfolio had not been undertaken previously for Spelthorne.

Assurance was sought that the new Bluebox system would be reviewed by the Internal Audit team to ensure that it was fully functional. Officers advised that it was not an accounting system but a property management system with a bolt-on accounting suite. The Chief Accountant was working with the finance team to ensure that it was working as expected and once they were happy with the controls in place it would then interface straight into the Council's accounting system. The Internal Audit team had included a review and evaluation of the system within their work plan.

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

600/21 External Audit update

David Eagles, Senior Partner BDO, advised that they were still awaiting the conclusion of KPMG's audit of the previous year's accounts and Value for Money opinion for 2017-18 before commencing their own work. They had had useful early discussions with officers about emerging matters in connection with the accounts and financial issues arising which had been very helpful.

BDO had also been working on housing grants and a Homes England return linked to the funding received for the White House Hostel project. It was hoped that a report would be available on all grants work for the next Audit Committee meeting.

The Chief Finance Officer advised that an independent external audit of Knowle Green Estates (KGE) which was wholly owned by the Council, and fed into the consolidated group accounts, had taken place. The external auditor had completed their audit of KGE for the last financial year and confirmed in writing that they did not have any issues but were yet to deliver their formal opinion letter. The draft KGE Annual Report and Statement of Accounts was to be presented to the Corporate Policy and Resources Committee at their meeting on Monday 29 November 2021.

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

601/21 Committee Forward Plan

The Committee considered the Forward Plan for the remainder of the 2021/22 Municipal year.

It was **resolved** that the Forward Plan be approved subject to the addition of the Risk Appetite Framework for the next Committee meeting in March 2022.

602/21 VFM Working Group update

The Chief Finance Officer advised that KPMG had been invited to attend tonight's meeting but had declined to attend. They had indicated however that they would be willing to meet the Value for Money Working Group and were available the week commencing 6 December. A date was to be arranged and it was anticipated that at that meeting KPMG would share their draft conclusions on a confidential basis initially, to allow a response, before making those public.

It was viewed as encouraging that KPMG had asked for the draft Statement of Accounts and any post balance sheet events so they could update the narrative of significant events (such as Covid-19 and Brexit) that may be relevant to those figures.

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