

**Minutes of a Meeting of the Audit,
Standards and Risk Committee held at
Surrey Heath House on 14 December
2023**

- Cllr Cliff Betton (Chair)
- + Cllr Bob Raikes (Vice Chair)

- + Cllr Jonny Cope
- + Cllr Rob Lee
- + Cllr Leanne MacIntyre

- + Cllr Pat Tedder
- + Cllr Richard Wilson

- + Present
- Apologies for absence presented

Substitutes: Cllr David Whitcroft (In place of Cllr Cliff Betton)

Members in Attendance: Cllr Josh Thorne

1/ASR Minutes of the Previous Meeting

The Committee confirmed the minutes of the meeting held on 3 October 2023, subject to the amendment to remove the sentence, 'Furthermore, following discussion, Committee members were reassured that Officers were confident as to the start balances for the financial years subsequent to 19-20'.

2/ASR Public Question Time

The Chair of the Committee answered questions on behalf of the Committee in-line with Part 4, Section E of the Council's Constitution. In line with the Constitution, the questions and answers were published as part of a supplement to the meeting's agenda pack.

3/ASR Treasury Management 2023/24- Quarterly Report – 2nd Quarter 2023

The Executive considered a report which set out the performance of the treasury management service for the second quarter of 2023/24 as of 30 September 2023 and confirmed compliance with the Treasury Management Indicators for 2023/24. This was in line with the Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code), which required that local authorities reported on the performance of the treasury management function at least quarterly. Moreover, it was noted that consideration of quarterly Treasury Management Reports was now the responsibility of the Audit, Standards and Risk Committee following recent constitutional changes.

It was drawn out from the report that as of 30 September 2023, the service had not breached any of the Treasury Management Indicators, as set out for 23/24 in the Council's Treasury Management Strategy.

The Council's total borrowing now stood at 167.2 million and as at the end of September 2023, the weighted average rate for the Council's long term debt was 2.73% and the Council's short term debt had a weighted average 3.51%.

Following Members' questions it was acknowledged that the Council's Medium Term Financial Strategy had anticipated short term interest rates to be around 3.5%, and that money had already been set aside and drawn down from the interest rate equalisation reserve, following a budgetary estimate from the Section 151 Officer. Moreover, it was noted that the Office for Budget Responsibility was predicting a delayed drop in interest rates following a drop in inflation, and that the Council anticipated that it would only be by the middle to end of the next financial year, when interest rates would start to drop.

The Committee acknowledged that some of the Council's Short Term borrowing was due to mature imminently and would result in higher debt servicing costs, and inevitable utilisation of the Council's interest equalisation reserve.

The Council's stated aim to always consider investment of funds in the most ethical way, wherever practicable, was discussed by the Committee. However, it was noted that first and foremost the Council looked to make investments in funds which were AAA-rated, where there was security of the funds. It was noted, that the size of the Council's investments meant it wasn't in a position to mandate ethical use of Money Market funds.

RESOLVED that the Treasury Management Report for the period 1 July to 30 September 2023 be noted.

4/ASR Internal Audit Charter and Manual

The Committee considered a proposed revised Audit Charter and Audit Manual, which aimed to refresh the documents which had been last refreshed in August 2021.

The Internal Audit Charter provided a mandate and terms of reference for the Council's internal audit function, and as required by Public Sector Internal Audit Standards (PSIAS). A number of changes to the charter were proposed including reinforcement that accordance with PSIAS guidance was mandatory, rather than recommended; and further clarity in respect of the reporting lines section with a clearer line to illustrate clearer accountability to the Chief Executive and Section 151 Officer. Moreover, the proposed changes would include greater reference to the work of internal audit to assist in the combatting of fraud.

The Audit Manual supported the internal audit activity and complemented the Audit Charter. The main proposed changes to the audit manual included the addition of an integrated assurance section, revision of a staff training section and the strengthening of the documentation retention section.

Members corrected a minor typographical error and drew attention to reference to the wrong name of the Committee in paragraphs 3.1, 3.2 and 6.7 of the Internal Audit Charter and paragraph 3.1 of the Internal Audit Manual. Moreover, following

a question from the Committee, it was agreed that the Council's IT Security Policy would be shared with the Committee via the Chair, but should not be shared outside the organisation.

RESOLVED that the Internal Audit Charter and Manual be agreed.

5/ASR Internal Audit Recommendations Update

The Committee received an update as to the progress made against internal audit recommendations in relation to past internal audit assignments.

An update on audit recommendations raised over a rolling 18 month period was reported to the Senior Management Team and to Members approximately every 6 to 9 months. Moreover, audit recommendations were monitored by the Senior Auditor on a frequent basis in order to check progress was made. Service departments were instructed to provide updates on the status of their assigned recommendations every few months.

Whilst, it was noted that there were 4 recommendations which were outstanding in relation to the report, none of the recommendations were classified as essential actions.

Following consideration of the recommendations, the Committee endorsed receiving updates on the internal audit recommendations every quarter. Moreover, it agreed to request that Officers responsible for uncompleted and outstanding audit recommendations be summonsed to Committee meetings to provide updates on the implementation of outstanding recommendations. The Committee clarified and made clear that this should be undertaken in the most sympathetic way by allowing of virtual attendance by the relevant Officer and by placing the item at the start of the agenda.

RESOLVED that the status of the Internal Audit Recommendations be noted.

6/ASR 19/20 Accounts - Audit Update

The Committee received an update from Steve Bladon, BDO, on the audit of the Council's 19/20 financial accounts.

BDO confirmed that the Council had provided a revised set of financial statements for the 19/20 financial year, which was received on 6 October 2023. As a result BDO would be undertaking a detailed review of the accounts, in order to make sure that they addressed issues previously identified in respect of the previously provided financial statements. Moreover, BDO would check whether the revised financial statements complied with the disclosure requirements, as set out in the CIPFA code of practice.

Following the Committee's questions, it was clarified that this review would take place after the first 2 weeks of January 2024, and if further follow-up work was required there was sufficient earmarked resource within BDO in order to undertake

the work promptly. Furthermore, it was confirmed that if further testing was required as part of the audit, which could not be conducted remotely, there would be an office presence by BDO in Surrey Heath House.

It was clarified by Mr Bladon that disclamation of a set of accounts meant in practice that the auditor was not able to provide any assurance. As it stood, there was still no legislation, currently in place, which allowed audit firms to disclaim Local Authorities' accounts. It was noted that if no such legislation was introduced, it would be September 2024 before the audit of the Council's 2020-21 accounts would commence.

RESOLVED that the updated be noted.

Chair