

**Minutes of a Meeting of the Audit and Standards Committee held at Council Chamber, Surrey Heath House on 31 March 2016**

---

+ Cllr Valerie White (Chairman)  
+ Cllr Paul Innicki (Vice Chairman)

+ Cllr Rodney Bates	+ Cllr Jonathan Lytle
- Cllr Edward Hawkins	- Cllr Bruce Mansell
+ Cllr David Lewis	

+ Present  
- Apologies for absence presented

Substitutes: Cllr Ian Sams (representing Cllr Mansell)

In Attendance: Sheena Adrian, Charlotte Goodrich, Neil Hewitson, Karen Limmer, Kelvin Menon, Alex Middleton, Sarah Parmenter and Karen Whelan

**12 Minutes**

**RESOLVED** that the minutes of the Audit and Standards Committee meeting be approved as a correct record and signed by the Chairman.

**13 Declarations of Interest**

There were no declarations of interest.

**14 Annual Plan 2016/17**

The Committee considered a report setting out the proposed Internal Audit Annual Plan for 2016/17.

The Plan set out the proposed work programme for Surrey Heath's internal audit function for the 2016/17 financial year. The plan had been based on the Internal Audit Strategic Three Year Plan and contained a combination of cyclical annual reviews as well as one off pieces of work and reviews scheduled on a three yearly cyclical basis. The plan was considered flexible enough to meet the ongoing needs of the Council and covered a wide range of services. Progress against the Plan would be reviewed regularly to ensure that it remained achievable. It had been estimated that two full-time auditors would require 522 days to deliver the proposed plan.

Additional resources had been identified to supplement the Internal Audit Team, which was currently working at half strength due to long term staff absence. The additional resource had worked for the Council previously and would take up the post in September/October.

**RESOLVED** that the 2016-17 Internal Audit Annual Plan be approved.

## 15 Peer Review

The Committee was given an update in respect of the Local Government Association (LGA) Corporate Peer Challenge which the Council had undertaken in October 2014.

The 2014 Peer Challenge had identified 15 recommendations for the Council and the progress made towards achieving these had been reviewed by an LGA follow up visit in December 2015. The Review Team commended the work of the Council to implement the recommendations identified in 2014 and noted in particular the enthusiasm with which Council staff had engaged with the process. Particular areas of note for the Review Team included: the development of the Wider Management Team and the investment that staff had in the organisation, the development of a revised Town Centre Plan and the development of a strategic approach to property acquisition through the Council's Investment Strategy.

The Committee stressed that recommendations to develop an effective Overview and Scrutiny function and to increase the community leadership function of councillors were ones that could only be taken forward by members. It was therefore essential that all members were encouraged to develop these areas.

The Committee noted the update.

## 16 Corporate Risk

The Committee considered a report setting out the Council's Corporate Risk Register.

The Corporate Risk Register identified the main high level risks faced by the Council in relation to achieving its objectives and priorities and any mitigating actions that were being taken to control these risks. The register was reviewed and updated on an annual basis.

In relation to identified risk 8, TEEP, the Committee was informed that investigations by the Surrey Waste Partnership had found that the Council's approach to collecting co-mingled recyclates was an appropriate approach that was both TEEP compliant and ensured that value for money was achieved. This work was now being used across the County by other authorities to support their continuance of co-mingled recyclates collections. It was stressed that whilst Surrey Heath Borough Council had responsibility for waste collection responsibility for waste disposal in Surrey lay with the County Council. Consequently it was the County Council who carried any risk associated with changes in commodity prices.

**RESOLVED** that:

- i. The Corporate Risk Register be approved
- ii. No further mitigation actions be recommended
- iii. The Corporate Risk Register is reviewed by the Audit and Standards Committee in twelve months time.

## **17 Certification Of Claims and Returns - Annual Report 2014/15**

The Committee received a report setting out the outcomes of an external audit of the Council's certification of claims and returns for Housing Benefit during 2014/15.

The Council paid out approximately £20million in Housing Benefits each year and auditing of these accounts was required to ensure that the amounts paid out matched the amounts claimed and that the Council was complying with all the relevant regulations. It was reported that KPMG had issued an unqualified report for the audit.

The Committee noted the report.

## **18 Update on Financial Statements**

Charlotte Goodrich and Neil Hewitson, KPMG, attended the meeting to present the Annual External Audit Report for 2015/16. The report summarised the key findings arising from an audit of the Council's 2014/15 financial statements and a Value for Money judgment on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

It was reported that, although filing deadlines had been missed, KPMG had issued a clean audit statement on the Council's 2014/15 Financial Statements. The Auditors concluded that whilst the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and to ensure financial resilience in 2014/15 there had been concerns about the capacity of the Finance Team and the application of core financial controls which had impacted on the Council's financial control and efficiency and productivity during the 2014/15 financial year. Consequently a Qualified (Except for) conclusion in relation to the Council's ability to secure Value for Money was issued.

It was recognised that the introduction of a new financial ledger system on 1 April 2014 had been a challenge for the Council and had had a detrimental impact on the consistency with which financial controls were applied in-year and meant that the monitoring of actual expenditure against budgets did not take place as regularly as it should have done during 2014/15. A number of key recommendations had been identified as a result of the audit and it was expected that addressing these would ensure that future audits had more positive outcomes.

The Auditors thanked all members of staff involved in the audit for their hard work and assistance.

Arising from the Committee's questions and comments the following points were noted:

- Officers had found the new financial ledger system to be much more user friendly than the previous one, which had been over twenty years old, and its structure meant that reporting was now much more streamlined than in the past.

- Many of the issues identified by the audit related to technical matters rather than to the way that money was being handled. In addition, many of the matters that had been scrutinised by the audit had never been subjected to an audit and this had highlighted a significant number of matters that had required addressing.
- Although the deadline for filing the Council's 2014/15 Financial Statements had been missed no penalties could be levied against the Council however it was not considered good practice to miss the filing deadlines.

The Executive Head of Finance acknowledged that the limited resources available had impacted on the implementation of the new financial ledger system and that this had caused negative consequences for the Council. Additional resources had been engaged to assist with the year-end processes and the situation would be reviewed in May 2016. If this review identified the need for ongoing additional resources then these would be identified.

The Committee thanked all those who had been involved in implementing the new financial ledger system and the audit for their work.

**RESOLVED** that:

- i. the Executive Head of Finance be authorised to sign the Letter of Representation on behalf of the Council
- ii. the audited financial statements for 2014/15 be received
- iii. the financial statements be approved by the Chairman of the Audit and Standards Committee on behalf of the Council

## **19 Statement of Accounts 2015-16**

The Committee received a report providing an update on the work taking place to ensure that the 2015/16 Statement of Accounts is compliant with statutory requirements.

The Committee was informed that although the public had the right to inspect the Council's Statement of Accounts for 30 days before they were signed off the majority of public enquiries on the Accounts were now received via Freedom of Information requests and it was rare for the public to exercise this right.

The Committee noted the report.

Chairman