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Friday, 16 November 2018

To: The Members of the **Audit and Standards Committee**
(Councillors: Oliver Lewis (Chairman), Jonathan Lytle (Vice Chairman), Rodney Bates, Edward Hawkins, Paul Ilnicki, Rebecca Jennings-Evans and Bruce Mansell)

In accordance with the Substitute Protocol at Part 4 of the Constitution, Members who are unable to attend this meeting should give their apologies and arrange for one of the appointed substitutes, as listed below, to attend. Members should also inform their group leader of the arrangements made.

Substitutes: Councillors Dan Adams, Ruth Hutchinson, David Lewis and Conrad Sturt

Dear Councillor,

A meeting of the **Audit and Standards Committee** will be held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on **Monday, 26 November 2018 at 7.00 pm**. The agenda will be set out as below.

Please note that this meeting will be recorded.

Yours sincerely

Karen Whelan

Chief Executive

AGENDA

	Pages
1 Apologies for Absence	
2 Minutes of Previous Meeting	3 - 6
To receive the minutes of the meeting of the Audit and Standards Committee held on 23 rd July 2018.	
3 Declarations of Interest	
Members are invited to declare any disclosable pecuniary interests and non pecuniary interests they may have with respect to matters which are to be considered at this meeting. Members who consider they may have an interest are invited to consult the Monitoring Officer or the Democratic Services Manager prior to the meeting.	

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|----------|---|----------------|
| 4 | External Audit | 7 - 12 |
| | To receive an update on the work of the Council's External Auditors. | |
| 5 | Annual Standards Report | 13 - 14 |
| | To receive the Annual Report of the Council's Monitoring Officer. | |
| 6 | Independent Persons Protocol | 15 - 18 |
| | To consider a report seeking an in principle agreement for the Council to enter into joint arrangements for the appointment of Independent Persons. | |
| 7 | Date of Next Meeting | |
| | The next scheduled meeting of the Audit and Standards Committee will take place on Monday 25 th March 2019 at 7pm. | |

Minutes of a Meeting of the Audit and Standards Committee held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on 23 July 2018

+ Cllr Oliver Lewis (Chairman)
 + Cllr Jonathan Lytle (Vice Chairman)

+ Cllr Rodney Bates	+ Cllr Rebecca Jennings-Evans
- Cllr Edward Hawkins	+ Cllr Bruce Mansell
+ Cllr Paul Ilnicki	

+ Present
 - Apologies for absence presented

Officers Present: Adrian Flynn, Chief Accountant
 Karen Limmer, Head of Legal
 Kelvin Menon, Executive Head: Finance
 Alex Middleton, Senior Auditor
 Satinder Jas, KPMG

1/AS Minutes of the Previous Meeting

RESOLVED that the minutes of the meeting of the Audit and Standards Committee held on 23rd April 2018 be approved as a correct record and signed by the Chairman.

2/AS External Audit

The Committee considered a report setting out the Council's Financial Statements for 2017/18, the External Auditors ISO 260 report and the Letter of Representation for 2017/18.

Satinder Jas, KPMG, presented the ISA260 External Audit Report 2017/18. The report set out any key issues identified following KPMG's audit of the Council's financial statements for the year ending 31 March 2018 and provided an assessment of the Authority's arrangements to secure value for money. The Auditors were pleased to report that unqualified opinions had been issued in respect of both the financial statements and value for money arrangements. It had been concluded that the Authority had proper arrangements in place to ensure that it took properly informed decisions and effectively deployed resources to achieve planned and sustainable outcomes for local residents and no recommendations had been made following the Audit.

The audit had identified three significant areas of risk for the Council: the valuation of land and buildings, the valuation of investment properties and pension liabilities. The Auditors confirmed that they were satisfied that the Council had the necessary and appropriate controls in place to ensure that the figures stated in relation to the valuation of land and buildings was not materially misstated and were free from material error. It was also confirmed that the Auditors were happy with the assurances given by Surrey County Council's Auditors in relation to the Council's pension liabilities.

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

- More details about the testing carried out on the Authority's saving and income schemes as part of the Value for Money assessment would be circulated.

- The Cipfa Disclosure Checklist used to ensure that local authorities were complying with the relevant financial codes was a 400 item checklist.

RESOLVED that:

- The Audited financial statements for 2017/18 be received
- The Executive Head of Finance's Letter of Representation to the Auditors be approved.
- The ISA260 Auditor's report be noted
- The Chairman of the Committee approves the Financial Statements on behalf of the Council.

3/AS Internal Audit Annual Report

The Committee considered a report which summaries the work of the Council's Internal Audit function for the 2017/18 financial year.

The Internal Audit function's work programme was led by the Council's Audit Strategy and the Annual Audit Plan, which was agreed, by the Audit and Standards Committee each March.

It was reported that during 2017/18, 21 planned audits had been completed as well as a number of unscheduled reviews. Of the 21 planned audits, it had been found that there were sound systems of control in place in all audited areas and any areas of weakness identified were considered to be minor. A final verdict of Substantial Assurance was issued following the completion of the 21 planned audits.

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

- Any essential recommendations identified during an audit were regularly monitored and any recommendations where progress was not made by the due date was reported to the Audit and Standards Committee.
- Deadlines for the completion of actions varied according to the nature of the recommendation. For example, a recommendation advising that additional resources were required may take longer to achieve.
- It was acknowledged that a greater than six-month delay between a recommendation being made and any lack of action on the recommendation being reported to the Committee could mask more serious concerns. It was agreed that any outstanding recommendations would be reported to the next convenient meeting of the Audit and Standards Committee.
- An audit of events management had found that risk assessments were not always being consulted on as widely as they ought to have been. Processes had now been put in place so that input into event risk assessments from internal and external partners was routinely sought and risk assessments took into account the views of Council partners e.g. Surrey Police
- Any changes to the audit work programme were normally discussed with the Council's Section 151 and Monitoring Officers. It was suggested that as the work programme was subject to member approval any changes should also be subject to member approval. It was agreed that changes would be agreed with the Chairman of the Audit and Standards Committee, or in their absence the agreement of the Committee's Vice Chairman.

RESOLVED that:

- The content of the 2017/18 Annual Internal Audit Report be noted.

- ii. All outstanding audit recommendations classified as essential be reported to the Audit and Standards Committee at the next convenient meeting.
- iii. Any changes to the Internal Audit Work Programme be reported and agreed with the Chairman of the Audit and Standards Committee.

4/AS Annual Review of the Effectiveness of Internal Audit

The Committee considered a report setting out the findings of a review of the effectiveness of the Council's Internal Audit function.

The Accounts and Audit Regulations required all local authorities to annually carry out a review of the effectiveness of its systems of internal control. The review measured the audit function against nine elements: organisational independence, a formal mandate, unrestricted access, sufficient funding, competent leadership, objective staff, competent staff, stakeholder support and professional audit standards. The report also set out how the recommendations made in the 2016/17 report had been addressed and identified any challenges.

It was reported that the review had concluded that the Council had operated an effective system of internal audit during 2017/18 and that the internal; audit function was compliant with the requirements of the Public Sector Internal Audit Standards. The key challenges identified for the internal audit function going forward were: the challenge of implementing measures to ensure compliance with GDPR and Data Protection regulations, workforce planning and gaining assurance over third party environments where activities had been outsourced.

RESOLVED that the Annual Report on the Review of the Effectiveness of Internal Audit, as attached as annex A to the report, be approved.

Chairman

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SURREY HEATH BOROUGH COUNCIL

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Audit Progress Report to Audit and Standards Committee

15 November 2018



INTRODUCTION

Background

This report provides the Audit and Standards Committee with an outline of our proposed work and progress to date for 2018/19.

Audit of the financial statements

- to be satisfied that the accounts present a true and fair view
- to be satisfied that proper practices have been observed in the preparation of the accounts

Value for money arrangements

- to be satisfied that the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Reporting

- issue an audit plan that sets out how we intend to carry out our duties
- report the findings of the audit to those charged with governance
- to express an opinion on the accounts
- express a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources
- to certify the completion of the audit
- issue an annual audit letter highlighting the results of the auditor's work.

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Key team members



Leigh Lloyd-Thomas
Engagement Lead



Michael Asare-Bediako
Manager






Martha Nhlovu
Audit Senior

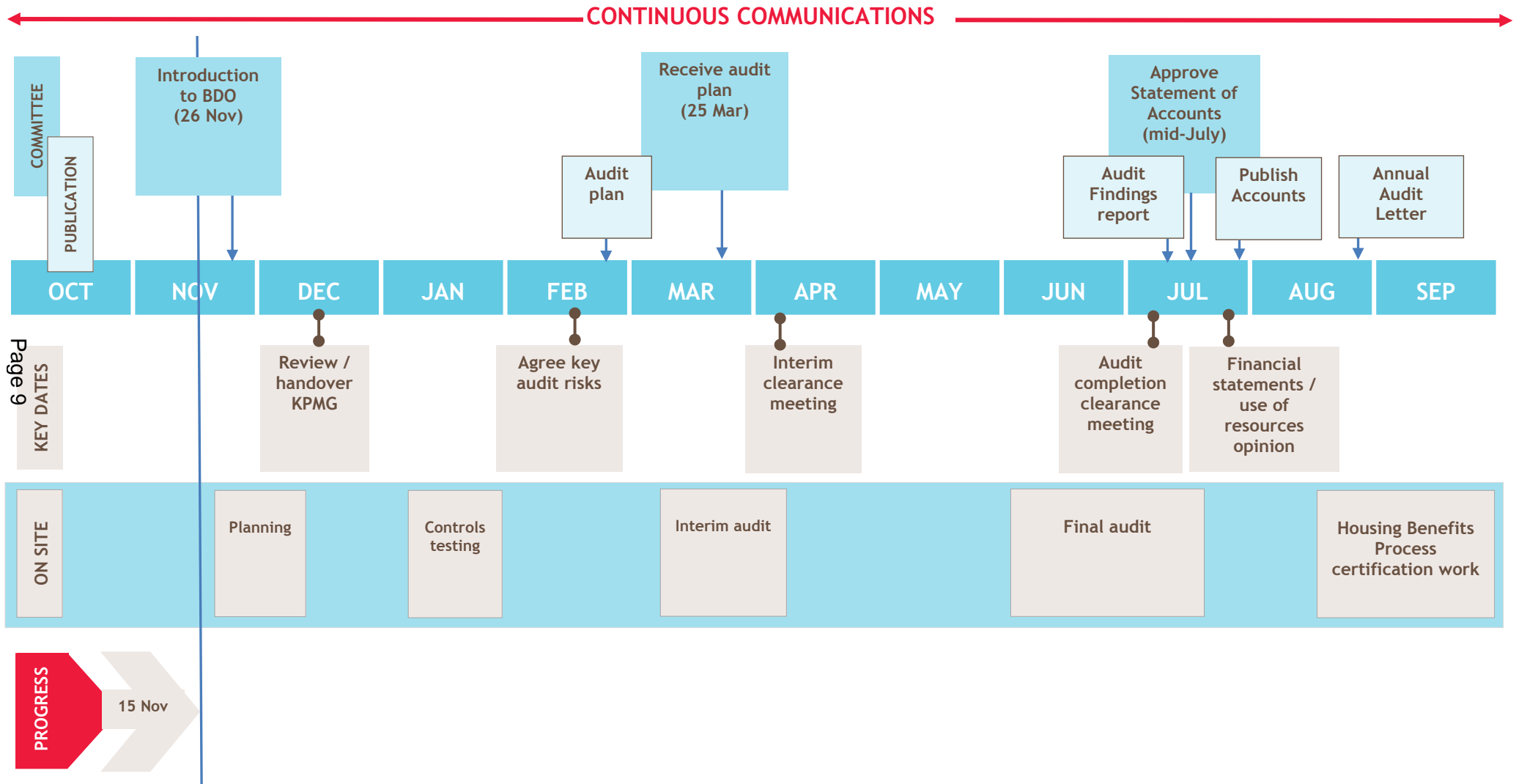
Progress to date

We have assessed whether the arrangements put in place by the Council will allow us to complete our work by the expected deadlines and whether there are any issues that are likely to have a significant impact on our ability to provide unmodified audit reports and opinions.

This is included as a 'RAG' assessment in the report:

ASSESSMENT	EXPLANATION
RED 	Unlikely to be able to meet reporting deadlines, significant concerns over governance or finance, or expected modification of audit report or opinion.
AMBER 	Some concerns around meeting reporting deadlines, some concerns over governance or finance, or potential risk of modification of audit report or opinion.
GREEN 	On target to meet deadlines and no current concerns over governance or finance.
TBC	Work not yet started or sufficiently progressed to include a 'RAG' assessment

AUDIT PROGRESS 2018/19



AUDIT PROGRESS 2018/19

AUDIT AREA	SCOPE	PROGRESS	REPORTS / OUTPUTS	ASSESSMENT
Audit plan	Report our risk assessment and the proposed audit response to significant audit risks.	Review of KPMG and handover meeting scheduled 10 December. Planning scheduled for November / December to undertake risk assessment.	Audit Plan To be issued in February.	TBC
FINANCIAL STATEMENTS				
Controls testing	Audit of the significant financial systems that support the financial statements.	Review and testing of the operating effectiveness of internal controls operated by the Council has been scheduled for January.	Audit Completion Report To be issued in July.	TBC
Financial statements audit	Audit of the financial statements to determine whether these give a true and fair view.	We intend to undertake testing of financial transactions during the year including an interim visit in March to cover testing to Month 11. Final audit testing of the financial statements will commence in June 2018.		
USE OF RESOURCES				
Review of arrangements to secure economy, efficiency and effectiveness	To be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. <i>In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</i>	Initial review of the Council's arrangements will be undertaken as part of our initial planning and this will inform our risk assessment process. A refresh will be undertaken during June 2018 to review financial outturn and MTFS updates.	Audit Completion Report To be issued in July.	TBC

AUDIT PROGRESS 2018/19

AUDIT AREA	SCOPE	PROGRESS	REPORTS / OUTPUTS	ASSESSMENT
REPORTING				
Audit certificate	Certify the completion of the audit at the point that the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.	To be issued on completion of the audit of the financial statements and review of the arrangements to secure economy, efficiency and effectiveness.	N/A	TBC
Annual audit letter	Public-facing summary of audit work and key conclusions for the year.	Annual audit letter to be drafted upon completion of audit work.	Annual Audit Letter To be issued in August.	TBC
CERTIFICATION AND RETURNS				
Housing Benefits Assurance Process Certification	To complete the DWP revised Agreed upon Procedures work	Detailed testing of housing benefits cases to commence in August.	Report to DWP Work to be completed and reported in November.	TBC

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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ANNUAL STANDARDS REPORT

Portfolio	Finance
Ward(s) Affected:	n/a

Purpose

To update the Audit and Standards Committee on any standards issues.

1. Key Issues

- 1.1 In accordance with the Localism Act 2011, the Council has adopted a Code of Conduct, appointed Independent Persons and put in place local arrangements for dealing with issues of conduct and requests for dispensations. The Register of Interests is also available for inspection on the Council's website.
- 1.2 Questions of predetermination and declarations of interest seem to arise most frequently in relation to planning matters. Members must reveal any disclosable pecuniary interest as well as any non-pecuniary interests at any meetings. Members need to be reminded that that when they do this, they must give sufficient detail for the public to understand the nature of the interest. Members have sought advice in advance on the committee so that they can receive timely advice
- 1.3 Members are also reminded about the provisions relating to acceptance of Gifts and Hospitality and the obligation to register them, which they are able to do themselves.
- 1.4 No Dispensations have been granted in the last year.
- 1.5 The Council has agreed to the appointment of a pool of Independent Persons for the purposes of the Localism Act 2011. A protocol has been agreed in conjunction with the participating authorities. This is operating well and its renewal is the subject of another report on this agenda.
- 1.6 During the year, a number of relatively minor issues have arisen both at borough and parish level. One formal complaint has been investigated against a borough councillor. The finding was that no breach had occurred. Two further complaints are currently being formally investigated. The outcomes of those investigations will be reported in due course.
- 1.7 Some changes have been made to the Constitution, particularly to the Planning Applications Committee practices, led by the Governance Working Group.
- 1.8 Members have also received training on the GDPR and data protection principles. Further training is being planned for the period following the elections next year.

2. Supporting Information

- 2.1 All the key documents are set out in the Council's Constitution, including the Code of Conduct, the Member/Officer Protocol and the Planning Code of Practice for Councillors and Officers, together with the Monitoring Officer Protocol.

2.2 The Council's website has the Register of Interest available for inspection. A complaints form is also available for members of the public to use.

3. Corporate Objectives And Key Priorities

3.1 These are statutory requirements.

4. Resource Implications

4.1 There are no resource implications at present.

5. Legal Issues

5.1 These are set out above.

6. Governance Issues

6.1 These are set out above.

7. Recommendation

7.1 The Audit and Standards Committee is advised to resolve to note the contents of this Annual Report.

Annexes	None
Background Papers	None
Author/Contact Details	Karen Limmer - Head of Legal Services Karen.limmer@surreyheath.gov.uk
Head of Service	As above

Joint Arrangements for the Appointment of Independent Persons

Portfolio: (Portfolio)

Ward(s) Affected: All

Purpose:

To update members on the arrangements for the joint Appointment of Independent Persons.

1. Background

- 1.1 On the 18th May 2016, the Council joined a consortium of other Surrey authorities which had appointed six independent persons as required by the Localism Act 2011 to assist in Code of Conduct matters relating members of the Council. The current appointment will expire in May 2019 and it is now necessary to start the process for a new four year period.

2. Current Position

- 2.1 The following Councils have now expressed a wish to participate in joint arrangements for the appointment of Independent Persons:
- Guildford
 - Epsom & Ewell
 - Mole Valley
 - Reigate and Banstead
 - Spelthorne
 - Surrey Heath
 - Waverley
- 2.2 The joint arrangements involve the placing of an advertisement simultaneously by the seven participating councils. The Monitoring Officers from each authority will then agree a shortlist of candidates for interview. An Appointments Panel, which is likely to include some chairs of the respective standards committees, will then carry out the interviews. The Panel's recommendations will then be referred to each council to approve the formal appointment as required by the Localism Act 2011.
- 2.3 A person cannot be appointed as an Independent Person by a council if they are or were within a period of five years prior to the appointment:
- (i) a member, co-opted member or officer of that council,
 - (ii) a member, co-opted member or officer of a parish council of which that council is the principal authority;

or if they are a relative* or close friend of a person in (i) or (ii) above.

* a person (“R”) is a relative of another person if R is—

- (a) the other person's spouse or civil partner,
- (b) living with the other person as husband and wife or as if they were civil partners,
- (c) a grandparent of the other person,
- (d) a lineal descendant of a grandparent of the other person,
- (e) a parent, sibling or child of a person within paragraph (a) or (b),
- (f) the spouse or civil partner of a person within paragraph (c), (d) or (e), or
- (g) living with a person within paragraph (c), (d) or (e) as husband and wife or as if they were civil partners.

The Localism Act 2011 also states that a person may not be appointed as an Independent Person unless—

- (i) the vacancy for an independent person has been advertised in such manner as the authority considers is likely to bring it to the attention of the public,
- (ii) the person has submitted an application to fill the vacancy to the authority, and
- (iii) the person's appointment has been approved by a majority of the members of the authority.

2.4 The Council has adopted an Independent Persons Protocol which details, amongst other matters, the appointment, role and obligations and allocation of Independent Persons by the participating authorities. It deals with the practical issues of dealing with complaints, including any conflicts of interest, common processes and arrangements for dealing with complaints. Training will also be provided to the pool members to ensure consistency from the Independent Persons. The Protocol will be reviewed and brought back to this Committee in due course.

3. Options

3.1 The Council may appoint an Independent Person itself or may wish to enter into joint arrangements with other Surrey authorities.

4. Proposal

4.1 It is therefore proposed that this Council agrees in principle to enter into joint arrangements for the appointment of Independent Persons.

5. Resource Implications

It will be necessary to advertise this appointment, but there are no on-going resource implications other than the paying the expenses of appointed Independent Persons during the term of their appointment.

6. Recommendation

6.1 It is recommended that the Committee:

- (i) notes the requirements of the joint arrangements and agrees in principle to this arrangement; and
- (ii) authorises the Monitoring Officer to proceed with the arrangements as set out above.

Background Papers: None

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