

**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)

<p>+ Cllr Rodney Bates - Cllr Edward Hawkins + Cllr Paul Ilnicki</p>	<p>+ Cllr Rebecca Jennings-Evans + Cllr Bruce Mansell</p>
<p>+ Present - Apologies for absence presented</p>	

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:

- i. The Audited financial statements for 2017/18 be received
- ii. The Executive Head of Finance's Letter of Representation to the Auditors be approved.
- iii. The ISA260 Auditor's report be noted
- iv. 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:

- i. 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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