

Minutes of a Meeting of the Audit and Standards Committee held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on 22 July 2019

+ Cllr Alan McClafferty (Chairman)
+ Cllr Darryl Ratiram (Vice Chairman)

+ Cllr Rodney Bates
+ Cllr Edward Hawkins
+ Cllr Sam Kay

+ Cllr Sashi Mylvaganam
+ Cllr Valerie White

+ Present

Members in Attendance: Cllr Tim FitzGerald, Cllr Sharon Galliford, Cllr David Mansfield, Cllr Charlotte Morley and Cllr Adrian Page

Officers Present: Adrian Flynn, Kelvin Menon, Alex Middleton, Richard Payne and Rachel Whillis.

In attendance: Leigh Lloyd-Thomas – BDO.

1/AS Minutes of Previous Meeting

The minutes of the meeting held on 25 March 2019 were confirmed and signed by the Chairman.

2/AS External Audit Report and Approval of Financial Statements 2018/19

The Committee considered a report setting out the Council's Financial Statements for 2018/19, the External Auditors ISO 260 report and the Letter of Representation for 2018/19.

Leigh Lloyd-Thomas, BDO, presented the ISA260 External Audit Report 2018/19. The report set out any key issues identified following BDO's audit of the Council's financial statements for the year ending 31 March 2019 and provided an assessment of the Authority's arrangements to secure value for money.

The Auditors were pleased to report that they intended to issue an unqualified opinion on the Financial Statements and value for money arrangements. This was subject to the finalising of the Jersey Property Unit Trust (JPUT) accounts by PwC.

A recent review of the accounting treatment of the JPUT by BDO, which had been conducted after the accounts were drafted, had now been finalised and would result in a number of presentational adjustments in the final Financial Statements.

The Committee was also updated on 2 cases the Government had lost relating to age discrimination in pensions. When the accounts were initially drafted there was a good chance that this judgement would be appealed and hence no provision had been deemed necessary by the actuaries and had not therefore been included in the draft accounts. However, this month the Government announced it would not

appeal against the judgement and hence the auditors had determined that a provision was now required; this had led to an adjustment in the accounts.

The Committee noted the table detailing the senior officers' remuneration and heard concerns about the increase in the salary paid to the Chief Executive in 2018/19, which included fees and allowances. The External Auditor confirmed that the accounts were factually correct.

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

- The loss in value of The SQ was a "paper loss" and would only be realised in the event that the Council had to sell the property at that reduced value;
- The external auditors were content with the data and the reasonableness of the assumptions used to underpin the valuation of The SQ;
- The external auditors were comfortable with the Council's 5 year financial modelling and were content with the Council as a going concern.

RESOLVED that

- (i) the audited financial statements for 2018/19 including the Annual Governance Statement for 2018/19 be received and approved;**
- (ii) the Letter of Representation be approved;**
- (iii) the ISA260 auditors report be noted; and**
- (iv) the Chairman of the Committee be authorised to approve and sign the Financial Statements on behalf of the Council.**

3/AS Internal Audit Annual Report

The Committee considered a report summarising the work of the Council's Internal Audit function for the 2018/19 financial year.

In 2018/19 a total of 17 internal audits had been completed from the Audit Plan. In addition, 5 ad hoc pieces of work had been undertaken. The unscheduled audits had included Off the Grid, the seasonal artisan shop opened by the Council over the 2018/19 Christmas and New Year period, and the Heritage Service, which had been requested by management as a result of the service's relocation to The SQ.

The Committee noted that in the previous year it had resolved that any changes to the Internal Audit Work Programme would be reported and agreed with the Chairman of the Audit & Standards Committee. Members expressed disappointment that the Committee's decision had not been followed this year and received assurances that it would be carried out in future.

RESOLVED to

- (i) note the 2018-19 annual Audit Report; and**

- (ii) reiterate that 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 the Internal Audit System

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 2006 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 2017/18 report had been addressed and identified any challenges.

Arising from the discussion on the areas reviewed in 2018/19, the Internal Auditor agreed to add an action point to the audit of Information Governance to ensure confidential information held by departing councillors was securely destroyed. It was also agreed to advise the Executive that, in view of anticipated workforce planning issues, the Committee supported the use of graduate training schemes.

The Committee was informed that, in 2018, the Council's Internal Audit function had undergone an External Quality Assessment, the purpose of which was to provide an independent assessment of the extent to which Internal Audit complied with the standards set by the public sector internal auditing standards board. Surrey Heath's internal audit had joined 2 neighbouring authorities, Elmbridge BC and Spelthorne BC, to carry out a 3-way assessment.

Spelthorne BC had carried out the assessment for Surrey Heath and had made an overall conclusion that Internal Audit for Surrey Heath generally conformed to the PSIAS requirements. Its assessment reported that Internal Audit at Surrey Heath fully conformed in the following areas: nature of work, engagement planning, performing the engagement, monitoring progress, and communicating risk. The review highlighted some areas where improvements could be made. The main findings would be presented to a future meeting.

RESOLVED that

- (i) the report be noted;**
- (ii) the inclusion of an additional action point in the Information Governance audit regarding the confidential information held by former councillors, be endorsed; and**
- (iii) the Executive be advised of the Committee's support for using Graduate Training Schemes to assist with Workforce Planning.**

5/AS Standards Sub Committee

The Committee noted the minutes and outcome of a Standards Hearing Sub Committee meeting which had taken place on 23 April 2019. The Sub Committee had considered a complaint made against a Borough Councillor following their interactions with a local resident over a planning matter.

Members considered the exempt report of the Independent Investigating Officer and agreed that, once identifying details of the complainant had been redacted, the report should be made public.

The Committee commended the investigation officer for his clear, balanced and well written report. Members of the Sub Committee also recorded their thanks to Cllr Rodney Bates for the able manner in which he had chaired the meeting.

RESOLVED that

- (i) the outcome of the Standards Sub Committee held on 23 April 2019 be noted;**
- (ii) the Chairman of the Standards Sub Committee be authorised to sign the minutes of the Standards Sub Committee meeting on behalf of its members; and**
- (iii) following the redaction of the identifying details of the complainant, the full report of the Independent Investigating Officer be made public.**

Note: It was noted for the record that Councillor Valerie White declared that she was referred to in the Independent Investigating Officer's report.

Chairman