

Minutes of a Meeting of the Audit and Standards Committee held at Council Chamber, Surrey Heath House, Knoll Road, Camberley, GU15 3HD on 20 April 2020

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| + Cllr Rodney Bates | + Cllr Sashi Mylvaganam |
| + Cllr Cliff Betton | + Cllr Darryl Ratiram |
| + Cllr Edward Hawkins | + Cllr Valerie White |
| + Cllr Charlotte Morley | |

+ Present

- Apologies for absence presented

Substitutes in attendance: Cllr Victoria Wheeler

Members in Attendance: Cllrs Graham Alleway, Sharon Galliford,
Emma-Jane McGrath and Alan McClafferty

Officers Present: Michael Asare Bediako, BDO
Stephen Bladon, BDO
Adrian Flynn, Chief Accountant
Simon Little, Executive Head: Finance and Section 151 Officer
Leigh Lloyd Thomas, BDO
Julia Hutley-Savage, Principal Lawyer
Tim Pashen, Acting Chief Executive
Richard Payne, Executive Head: Corporate
Alex Middleton, Senior Auditor
Gavin Ramtohal, Head of Legal and Monitoring Officer

6/AS Election of Chairman

RESOLVED that Councillor Betton be elected Chairman of the Audit and Standards Committee.

COUNCILLOR BETTON IN THE CHAIR

7/AS Appointment of Vice-Chairman

It was noted that the appointment of Councillor Ratiram to the position of Vice Chairman of the Audit and Standards Committee would continue until the start of the new municipal year.

8/AS Minutes of Previous Meeting

RESOLVED that the minutes of the meeting of the Audit and Standards Committee held on 22nd July 2019 be approved as a correct record and signed by the Chairman.

9/AS External Audit ISA 260 Report

The Committee considered a report setting out the External Auditors ISO 260 report for the 2018/19 financial year.

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.

It was noted that completion of the audit had taken longer than initially envisaged due to the identification of a number of anomalies that had required further investigatory work including:

- Freehold interest in the JPUT land had been included in both the Council's assets and its valuation of The Square shopping centre.
- A number of omissions had been identified in the accounts with respect to income, expenditure, assets and liabilities.
- Expenditure for pension costs, depreciation and impairments had been incorrectly included as other costs instead of cost of services.

It was reported that it was the Auditor's opinion that the Square's blended yield value of 6.32% at 31st March 2019 was considered optimistic but not unreasonable in view of the explanation provided by the Valuation Service. Notwithstanding this the Auditors had raised concerns over a number of the complex transactions that the Council was involved with and it was stressed that there was a need to ensure that the Council had sufficient depth of specialist knowledge to ensure these transactions were scrutinised appropriately.

The Committee was informed that the level of anomalies and errors identified during the audit had required significant additional levels of work and this had impacted on the timescales and caused the subsequent delays in the delivery of the final audit report. Following the completion of its investigative work into the identified anomalies and any necessary corrections it was the Auditor's opinion that the 2018/19 Accounts could be considered as being a true and fair reflection.

It was confirmed that when considering income and expenditure the level of materiality at which auditors started working from was £1.3million; any expenditure below this amount was not considered by auditors as part of their audit work on the annual accounts.

A concern was expressed that the audit report made no reference to the outcomes of the recent independent investigation into the remuneration of the former Chief Executive and the governance surrounding the matter. The Auditors advised that the original payment had been reported in the accounts and as such the 2018/19 accounts could be considered as being a fair and accurate record; they could not comment on the governance matters unless a material failure of governance had been identified.

The Committee noted the report.

10/AS Internal Audit Three Year Strategy

The Committee received a report setting out the proposed Internal Audit Three Year Strategic Plan 2020 – 2023.

The Plan had been developed in line with the best practice principles set out by the Public Sector Internal Audit Standards. The areas to be audited had been identified through a combination of factors including the Council's Corporate Risk Register, projected levels of income and expenditure, the control environment, growth areas and identified public sector risks. The Plan would be used to form the basis of the Internal Audit function's work programme for the next three years.

In developing the plan, officers had tried to spread the work across a range of areas to ensure that audit work did not become overly burdensome to individual sections. Where a

system was subject to annual audits then efforts were made to look at different parts of the system in question each year.

It was noted that procurement and contract matters were audited as part of any audits of wider service areas however it was agreed that, in light of the comments of the External Auditors, there needed to be a greater focus on procurement and contracts and standalone audits of both areas should be incorporated into the plan.

It was agreed that the following areas would also need to be incorporated into the audit strategy: property holdings and the Property Investment Strategy. It was also considered that, due to the recent findings of an independent investigation of personnel matters, human resources functions should be audited more frequently.

The Committee was informed that one of the new Executive Head of Finance's first tasks would be to complete a review of the Council's Property Investment Strategy.

It was acknowledged that the addition of these areas to the Audit Strategy would have implications on resources and that it would be necessary to prioritise areas for audit. It was agreed that officers would review the strategy in light of these comments, and in consultation with the Chairman and Vice Chairman, agree an appropriate prioritisation of internal audit work.

RESOLVED that, subject to the changes agreed above, the Internal Audit Three Year Strategic Plan 2020-2023, as set out in the report annex, be approved.

11/AS Internal Audit Annual Plan

The Committee considered a report setting out the proposed work programme for the Council's Internal Audit function for the 2020/21 municipal year.

The proposed work plan had been based on the draft Internal Audit Three Year Strategic Plan, as discussed at item 7 on the agenda for this meeting, and consisted of a combination of audit activities carried out on an annual basis, activities conducted on a triannual basis and one off audit projects. It was expected that the activities proposed in the Annual Plan would require 430 working days to be delivered by the Council's two internal auditors.

It was agreed that audits of the Council's Human Resources and Procurement functions would be included in the 2020/21 Annual Audit Plan.

It was acknowledged that the majority of the Council's staff were currently focused on activities relating to the Council's response to the Covid-19 pandemic and this would impact on the Council's ability to deliver the audit programme set out.

RESOLVED that the Internal Audit Annual Plan for 2020/21, as set out in the report annex and as amended above, be approved.

12/AS Date of Next Meeting

It was noted that the next scheduled meeting of the Audit and Standards Committee would be held on Monday 20th July 2020 at 7pm.

It was agreed that if the situation with regard to the Covid-19 pandemic had not changed, and it was necessary to conduct the meeting by video-conference, then the start time of the meeting would be brought forward to 6pm.

Chairman