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To: MEMBER OF THE AUDIT & SCRUTINY COMMITTEE
Councillors Gillman (Chair), Allen (Vice-Chair), Booth,
Botten, Chotai, Cooper, Flower, Mansfield, O'Driscoll,
C.White and N.White

for any enquiries, please contact:
customerservices@tandridge.gov.uk
01883 722000

Substitute Councillors: Bilton, S.Farr, Bloore and
Pursehouse

C.C. All Other Members of the Council

16 September 2022

Dear Sir/Madam

AUDIT & SCRUTINY COMMITTEE TUESDAY, 27TH SEPTEMBER, 2022 AT 7.30 PM

The agenda for this meeting of the Committee to be held in the Council Chamber, Council Offices, Station Road East, Oxted is set out below. If a member of the Committee is unable to attend the meeting, please notify officers accordingly.

Should members require clarification about any item of business, they are urged to contact officers before the meeting. In this respect, reports contain authors' names and contact details.

If a Member of the Council, not being a member of the Committee, proposes to attend the meeting, please let the officers know by no later than noon on the day of the meeting.

Yours faithfully,

David Ford
Chief Executive

AGENDA

- 1. Apologies for absence (if any)**
- 2. Declarations of interest**

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter:

- (i) any Disclosable Pecuniary Interests (DPIs) and/or
- (ii) other interests arising under the Code of Conduct

in respect of any item(s) of business being considered at the meeting. Anyone with a DPI must, unless a dispensation has been granted, withdraw from the meeting during consideration of the relevant item of business. If in doubt, advice should be sought from the Monitoring Officer or her staff prior to the meeting.

- 3. Minutes of the meeting held on 5 July 2022 (Pages 3 - 12)**
- 4. Review of minuted actions from the previous committee meeting**

- 5. To deal with any question submitted under Standing Order 30**
- 6. To deal with any issues 'Called In' under Part F of the Council's constitution**
- 7. External Audit - audit plan update for 2021/2022 accounts (Pages 13 - 28)**
- 8. External Audit - finalisation of 2020/2021 accounts (Pages 29 - 62)**
- 9. Internal Audit Charter 2022/23 (Pages 63 - 76)**
- 10. Internal Audit Annual Report & Opinion 2021/22 (Pages 77 - 102)**
- 11. Internal Audit Progress Report - September 2022 (Pages 103 - 116)**
- 12. Complaints and Freedom of Information update (Pages 117 - 126)**
- 13. Any urgent business**

To deal with any other item(s) which, in the opinion of the Chair, should be considered as a matter of urgency in accordance with Section 100B(4)(b) of the Local Government Act 1972.

TANDRIDGE DISTRICT COUNCIL

AUDIT & SCRUTINY COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 5th July 2022 at 7:30pm.

PRESENT: Councillors Gillman (Chair), Allen (Vice-Chair), Booth, Botten, Chotai, Flower, Mansfield, O'Driscoll, C.White and N.White

ALSO PRESENT: Councillor S.Farr

ALSO PRESENT (Virtually): Councillors C.Farr, Gaffney, Lockwood and Moore

APOLOGIES FOR ABSENCE: Councillor Cooper

69. DECLARATIONS OF INTEREST

No declarations of interest were given. However, Councillor Chotai requested that it be minuted that he was of the view that the amount of time given to read the agenda pack was unreasonable.

70. MINUTES OF THE MEETING HELD ON 22 MARCH 2022

These minutes were confirmed and signed as a correct record.

71. MINUTES OF THE MEETING HELD ON 26 MAY 2022

These minutes were confirmed and signed as a correct record.

72. REVIEW OF MINUTED ACTIONS FROM THE PREVIOUS COMMITTEE MEETING

The actions arising from the meeting on 22nd March 2022 were reviewed and it was noted that:

- Minute 287: Information in respect of payments to staff was still outstanding as issues of confidentiality were still being considered. The Chair stated that the Chief Executive was currently attempting to resolve this issue.
- Minute 288: A formal external audit plan had not been presented to the Committee in advance of meeting. A late preliminary plan had been circulated to the Committee on the day of the meeting. The Chair stated that he did not expect the Committee to discuss this report as there had been insufficient time to read it. It will be updated and represented as an agenda item in September 2022
- Minute 288: A written response had been received from Deloitte in response to the Committee's letter of complaint which would be referred to under agenda item 8 (minute number 73). It would be discussed by the Officers and the Chair and Vice Chair and circulated to the Committee.

- Minute 289: It was agreed that discussion of the Outstanding Management Actions document would be deferred until the Committee had seen the whole of the Future Tandridge Programme.
- Minute 289: The amended Internal Audit Charter had been received from Neil Pitman on the day of the meeting. This would not be discussed but would be reviewed by the Committee and officers before the next Committee meeting.
- Minute 289: The revision of the Audit & Scrutiny Committee's Terms of Reference had not been completed for this meeting, so it will be presented at the 27th September 2022 meeting.
- Minute 289: An additional spreadsheet from Melanie Thompson had been provided to identify whether the number of open audit items was decreasing. This had been received on the day of the meeting and would be reviewed by the Committee in due course.
- Minute 291: The Chair had received an email in respect of the Council's strategic plan priority of "*Creating the homes and infrastructure and environment we need*" However, this item would remain open until the Chair had spoken to the Chair of the Housing Committee.
- Minute 291: A review of specific queries relating to the audit plan was still ongoing.
- Minute 293: It was noted that a discussion was still ongoing in respect of Deloitte's scale fee and would be presented to the Committee for approval in due course.
- Minute 293: Mapping the findings from the external audit for 19/20 against the Tandridge Finance Transformation programme had been completed and will be circulated to the Committee for comment. This review will be circulated by the Chief Finance Officer prior to the next meeting of the A&S committee, to allow members of the committee time to comment.
- Minute 294: The action in respect of the Annual Governance Statement would be resolved when the item comes to the 27th September Committee meeting.
- Minute 296: The Chair had agreed to defer the Project Management Review item and associated actions until the completion of the Future Tandridge Programme.
- Minute 297: Details of the estimate of costs for dealing with complaints had been included in the report at item 13 (minute 78) of the agenda pack.

73. EXTERNAL AUDIT 20/21 UPDATE

2020/21 Update:

In the absence of the Council's external auditors, Deloitte, who had not been able to attend the meeting and had not submitted apologies or a written update, the Chief Finance Officer (CFO) and Chief Accountant provided a verbal update on the 2020/21 audit. The CFO stated that the Council's external audit for 2020/21 was delayed, although it was noted that Tandridge was not the only council to be in this position as there were resourcing issues across the audit industry.

The audit had restarted on the 4th July 2022 and officers were liaising regularly with Deloitte to track progress.

Deloitte had given an assurance that they would complete the work on the 2020/21 audit by mid-August 2022 and present to committee in September.

2021/22 Update:

The Chief Finance Officer presented a verbal update on a preliminary audit plan for 2021/22 that had been prepared by Deloitte. The plan was received in lieu of a full audit plan which had originally been requested by officers. A full audit plan was not available as Deloitte were focussing on the completion of the audit for 2020/21.

The 2021/22 audit will commence immediately after the conclusion of the 2020/21 audit and be presented by the end of November. The CFO confirmed that officers would do everything possible to ensure that the timetable is adhered to. To assist with this, the Committee was asked to send comments to the CFO on Deloitte's preliminary audit plan. The CFO assured the Committee that he would update them on the progress of the audit.

Letter of Complaint:

It was confirmed that Deloitte had responded to the Committee's letter of complaint sent in November 2021. The response identified failings on both sides in the production and audit of the 2019/20 accounts. The Tandridge Finance Transformation programme had subsequently addressed most of the internal issues identified. It would be discussed by the Officers and the Chair and Vice Chair and circulated to the Committee.

In response to questions, it was confirmed that the Council had opted into the Public Sector Audit Appointment process which would appoint new auditors for financial year 2023/24 onwards and the Council was making representations as part of this process in respect of the next auditor appointment.

74. INTERNAL AUDIT PROGRESS REPORT - JUNE 2022

Natalie Jerams gave an overview of the internal audit reporting process for new Committee members and presented a report which provided an overview of:

- the current status of live internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

It was noted that two separate reports provided further details on the outstanding management actions and an analysis of live audit reviews.

The subsequent discussion on this report included reference to the following issues:

- The Council's Whistleblowing Policy would be used by internal audit when dealing with any confidential submissions made to them under the Internal Audit Charter.
- In respect of the IT Governance audit review, there were concerns that the assurance opinion was still 'Limited' and that the Council's systems needed to be robust in the event of a cyber-attack. It was confirmed that this was a priority for the Management Team. It was also confirmed that a meeting of the IT Governance Board would be taking place during the week commencing 11th July 2022 and terms of reference were being developed for it. The Committee was informed that the Council had received £100,000 from DLUHC to assist with the ongoing improvement of cyber security at the Council.
- Details of when the implementation of the supporting elements to the anti-fraud, bribery and corruption policy would occur would be confirmed to the Committee after the meeting.
- In respect of the Database Management audit review, it was confirmed that a schedule was in place for the completion of Microsoft security updates. The Committee would receive an update on this schedule in due course.
- In terms of amendments to the plan, it was noted that the recommendation to the report would be amended to take into account the plan variations in respect of Development Management.
- It was noted that Cliff Thurlow, the interim Chief Planning Officer, had circulated a paper setting out the reasons for removing the Development Management audit from the plan.
- Concerns were raised in respect of the number of long term outstanding audit items in respect of the Grants Register and Health & Safety. The Chair stated that he would ask for an update to come to the Committee on these items before the next meeting. It was confirmed that the Grants Register had been moved into the Finance department and was currently being improved.

Councillor Allen requested an addition to the recommendation which approved the removal of the Main Accounting and Development Management audits from the current internal audit plan. This was seconded by Councillor Flower and agreed by the Committee.

RESOLVED – that the Committee:

- A. notes the Internal Audit Progress Report – June 2022; and
- B. approves the removal of Main Accounting and Development Management from the Internal Audit Plan.

75. INTERNAL AUDIT ANNUAL REPORT & OPINION 2021/22

The Chief Finance Officer presented a report requesting the deferment of the Internal Audit Annual Report and Opinion 2021/22 to the meeting of the Committee scheduled for 27th September 2022.

The deferment was requested as 33% of the internal audit reports were still with the Management Team to provide actions in respect of the audit findings, a number of which having been received in the 1-3 weeks prior to the committee deadline. Management Team had concluded that it was more appropriate to allow adequate time for management responses to be properly considered, rather than attempting to bring the annual report to Committee before proper consideration had taken place. Deferring the report would make it more likely that deliverable actions would be created which would be compatible with the Future Tandridge Programme.

It was also noted that the Annual Report and Opinion is usually considered with the Annual Governance Statement which will be presented to Committee in September. In delaying the report, it would be possible to align it with the AGS and therefore produce a more robust document.

Councillor Allen proposed a slight amendment to the recommendation to state that the Committee approves the delay and to include the date of the next Committee meeting. Councillor Chotai seconded the motion.

RESOLVED – that the Committee note and approve the delay to the finalisation of the Internal Audit Annual Report & Opinion for 2021/22 to the Committee’s meeting on 27th September 2022.

76. FINANCE TRANSFORMATION PROGRAMME UPDATE - JUNE 2022

The Chief Finance Officer presented a report on the closure process being followed for the Tandridge Finance Transformation (“TFT”) programme which was due to complete at the end of June 2022.

The key objectives of the closure process were to identify:

- what the programme has achieved, including key deliverables, achievements and benefits that have been delivered
- activities and deliverables that have not been completed and ensure that these are assigned ownership
- activities and deliverables that will form part of a service improvement plan at the close of the programme.

A background summary of the TFT programme was provided and details given on the four key workstreams (these being ‘New Finance Model’, ‘Organisational Development’, ‘Deliver the Budget’ and ‘Exchequer Transformation’) their objectives and how their scopes had changed.

It was noted that the 'Deliver the Budget' workstream changed most over the course of the programme. Initially, the workstream was set up to ensure the 2022/23 budget was delivered and balanced and activities introduced to improve the process. However, due primarily to a pensions error being identified in Summer 2021, the level of activity in the workstream had increased significantly.

It was emphasised that the closure of the programme did not draw a line under the need for continuous improvement. Members were advised that the appendices to the report set out the requirements for the council as a whole to continue to improve. The report concluded that the TFT programme was successful and was a key element of improving the Council's overall financial management. It was noted that the report highlighted lessons to be learnt and improvements still to be made.

The Committee was informed that an application had been submitted on behalf of Tandridge District Council and Surrey County Council to the CIPFA Public Finance Awards in the category of Aligned Public Service Delivery to recognise the success of the TFT Programme.

It was confirmed that annual update reports would come to the Committee as requested by the Member Reference Group who oversaw and shaped the transformation plan and that the joint working arrangement would still be in place after the closure of the programme.

The Committee commended the Chief Finance Officer and his team on the report and the success of the TFT programme and was of the view that the current positive financial position of the Council was as a direct result of the programme. The Chair personally thanked the Chief Finance Officer and his team for improving the financial position of the Council for the benefit of its residents.

Councillor Allen proposed that an annual update be submitted to the Committee by the Chief Finance Officer. Councillor Gillman also proposed that the Finance Team be congratulated on delivering the TFT programme. Both motions were seconded by Councillor O'Driscoll and agreed by the Committee.

RESOLVED – that the Committee:

- A. approves the closure of the Tandridge Finance Transformation programme, achievements to date and next steps;
- B. requests that an update report be submitted to the Committee annually by the Chief Finance Officer;
- C. formally congratulates the Finance Team on delivering the Tandridge Finance Transformation programme.

77. FUTURE TANDRIDGE PROGRAMME UPDATE - JUNE 2022

The Chief Finance Officer presented a report on the current status of the Future Tandridge Programme ("FTP"). The aims of the FTP are to:

- transform the operating model for the council;
- create a smaller, more strategic, agile and responsive organisation with resources targeted at council priorities and where need is greatest;

- develop a more business-like approach to the way the council operates; and
- tackle the financial challenges faced by the council going forward.

The report set out the key areas of focus of the current service reviews and common themes emerging from them. The first wave of service reviews focused on support services and the need to add value to the front line services they underpin and to become more automatic and less onerous.

The report set out the intention to move towards an intention to become a 'Commissioning Council'. This meant that the Council would move to an approach where it focused on the needs of residents and how services meet those requirements, the quality and level of service and understanding the Council's involvement in delivering the services and establishing the best delivery model for achieving the required outcomes.

Key focus areas for each of the services under current review were included in the report. The next steps for the reviews were to deliver tactical savings in 2022/23 as agreed at the last meeting of the Strategy & Recourses Committee and to bring further reports to the policy committees in September to set out the future direction for the provision of the services under review.

During the debate, the Committee suggested that each of the service reviews should clearly reference risk management. In doing so, this would add value and incorporate the lessons learnt from the internal audit process. It was also noted that:

- feedback would be given following the September policy reports in response to the Committee's suggestion that the Council replace Housing Associations as the direct landlord for council tenants;
- as part of the transformation programme, the Council will consider the suggestion that Parish Councils could take on services such as playgrounds and maintenance of parks and open spaces but noted that the size and structure of particular Parish Councils may limit implementation;
- staff morale was a concern of Management Team and appreciated that service reviews are difficult for staff and this be addressed where possible – the Council was communicating with staff at each stage of the process so they were aware of what is happening and were able to feedback and shape the programme;
- the Council does not consistently use CIL funding to deliver the infrastructure it requires and should review this when considering the transition to becoming a commissioning council.
- the new management structure will be available to Councillors and staff once imminent appointments have been completed.
- each area involved in the current service reviews will shortly be considering next steps and prioritising the proposed key lines of enquiry. Councillors will be informed of the outcome of the process once completed.

RESOLVED – that the Committee note the progress to date in delivering the Future Tandridge Programme.

78. COMPLAINTS AND FREEDOM OF INFORMATION UPDATE

The Head of Policy & Communications presented report that set out details of the complaints and Freedom of Information requests received by the Council in the last quarter. The report also provided an update on the Council's approach to managing complaints and what lessons had been learnt from recent experiences. It was noted that the number of complaints had decreased from the same period last year.

It was also noted that:

- a planning enforcement complaint to the Local Government Ombudsman had been upheld. The Council had been ordered to issue an apology and pay the complainant £1,250
- two payments had been made under the recently introduced £50 goodwill compensation scheme
- no Housing related compensation payments had been made in the last quarter
- 159 Freedom of information requests had been received in the last quarter.

The Chair suggested that the style of the report could be altered in the future to show whether complaints were increasing or decreasing in any particular service areas, so the Committee could see trends in complaints from residents.

R E S O L V E D – that the Committee note and accept the report.

79. PERFORMANCE EXCEPTIONS REPORT - QUARTER 4 2021/22

The Committee received an exceptions report which set out the performance and risk headlines from the performance and risk reports which had already been reported to the four main policy committees earlier in the committee cycle. The report highlighted performance and risk indicators that have been off target for two quarters. The report also included an update on the Council's approach to managing debt.

The Committee considered that a review of policy committee targets was required as they appear out of date or not relevant to residents. It was confirmed that a review would take place and, once completed, the Chairs of the policy committees would be asked for their feedback before being shared more widely.

The Chair also stated that it should be the role of the Committee to test the policy committees on the management of their risks moving forward.

The Committee was informed by the Chair that the time taken to relet Local Authority Housing was off target due to the amount of maintenance required before properties are able to be made available to potential tenants. There was also difficulty in letting certain types of property, particularly those with stairs to access.

The Chair agreed to speak to the Chair of the Housing Committee to ascertain what makes a property difficult to let as stated in the report. The Chair also stated that, as introduced in the last municipal year, he would be asking committee members who also sat on a policy committee to act as an Audit & Scrutiny liaison so that information could be obtained and shared easily.

RESOLVED – that the committee note the policy committees' performance and risk exceptions for Quarter 4 2021-2022.

Rising 9.39 pm

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External Audit - audit plan update for 2021/2022 accounts

Audit & Scrutiny Committee Tuesday, 27 September 2022

Report of: Chief Finance Officer (Section 151)

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report accompanies the External Auditor (Deloitte)'s indicative plan for auditing the Council's Statement of Accounts for 2021/22.

The approach is set out in Appendix A and shows the principal matters that the audit will focus on.

The external auditor will attend the meeting in order to discuss the plan in more detail and respond to any questions from committee members. The audit plan will be finalised following the completion of the 2020/21 audit.

This report supports the Council's priority of: Building a better Council

Contact officer Mark Hak-Sanders Chief Finance Officer (S151)
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That committee approve the External Audit Plan for the 2021/22 accounts.

Reason for recommendation:

External auditors are required to agree a plan for auditing each year's Statement of Accounts prior to commencement of the audit. Audit and Scrutiny Committee is responsible for approving that plan under its remit to "resolve issues arising out of the financial audit of the accounts." The indicative plan allows management and the external auditor to progress work on the 2021/22 audit, pending finalisation.

Introduction and timeline

1. The production and audit of the Statement of Accounts for Tandridge District Council is running some way behind statutory deadlines. Delays to the production and audit of accounts are not uncommon in the Local Government sector, however the Council saw particular delays in the audit of its 2019/20 accounts, which were reported to A&S committee on 27th January 2022 along with delegated authority for the S151 officer and the chair of the committee to sign.
2. Whilst there is no specific sanction for delays to publishing the accounts, a delay to the audit has a knock-on effect on resourcing within the Finance team. It also means that recommended improvements are not identified promptly and therefore are implemented later than they otherwise would have been. Officers are working closely with the external auditors to improve the situation and establish better working practices.
3. The following table sets out expected deadlines for each financial year, and progress in delivery. The table will be updated in subsequent reports to show progress and ensure that the committee is sighted on the delays.

Year	Deadline	Actual / Expected	Delay	Months after Financial Year End
2019/20	November 2020	Actual January 2022	14 months	22 months
2020/21	September 2021	To be confirmed pending finalisation and quality assurance of audit field work		
2021/22	November 2022	To be confirmed pending detailed project plan		

4. The delay to 2019/20's accounts has had a knock-on effect on the audit for 2020/21's accounts, which is ongoing and subject to a separate report to this committee. Because the 2020/21 audit is ongoing, the plan for 2021/22 is deemed to be indicative at this point, since the external auditors cannot be sure that all risks have been identified. It will be updated as appropriate on the conclusion of the 2020/21 audit.

5. Similarly, a detailed plan setting out timelines for completion of the 2021/22 audit will be agreed between external auditors and management upon completion of the 2020/21 audit.
6. A final plan will be brought to this committee for approval.

Key Issues

7. Pages 4 to 6 set out significant audit risks to be addressed:
 - **Capital Expenditure**
 - **Property Valuations**
 - **Management Override of Controls**
 - **Pension Valuations**
8. These are standard risks across local authority audits and do not indicate that the auditor has concerns to this Council. Further detail is set out in the Appendix.

Value for Money

9. The approach to the Value for Money review is changing for all Local Government audits for financial years 2021/22 onwards. The National Audit Office's 2020 Code of Audit Practice revises the scope of the required work of the auditor on bodies' arrangements to secure value for money, moving away from a binary conclusion on arrangements in the audit report to a narrative commentary in a new "Auditor's Annual Report" (which replaces the Annual Audit Letter). Further details are provided on Page 7 of the Appendix.

Audit Fees

10. The standard audit fee for 2021/22 is £35k. Page 9 of the Appendix sets out issues relating to the perceived inadequacy of the fee, along with an expectation that fees will increase. During 2021/22, Government provided the Council £18k of additional funding to meet the increased cost of external audit. Some increase in scale fee is therefore to be expected, but officers will review closely before bringing a position to the committee for approval. The report notes that the audit fees for 2019/20 and 2020/21 are still open. At time of writing, officers have not been presented with proposed fees. Once received and following management review, these will be presented to committee for approval.

Key implications

Comments of the Chief Finance Officer

The financial implications of the report are set out above. There are no direct financial consequences from the proposed recommendation to agree the indicative audit plan.

Comments of the Head of Legal Services

In relation to the Council's Constitution and the specific role and responsibilities of this Committee the Constitution provides that the overall purpose of the Committee is *'to be responsible for the review and scrutiny of the decisions and performance of the Council, audit arrangements and providing opportunities for other organisations to present / explain key aspects of their local services'*. In particular, the Committee is responsible for overseeing both internal and external audit helping to ensure that efficient and effective assurance arrangements are in place.

To discharge its functions effectively, the Committee is required to operate within their agreed Terms of Reference. The external auditor's plan is designed to ensure that.

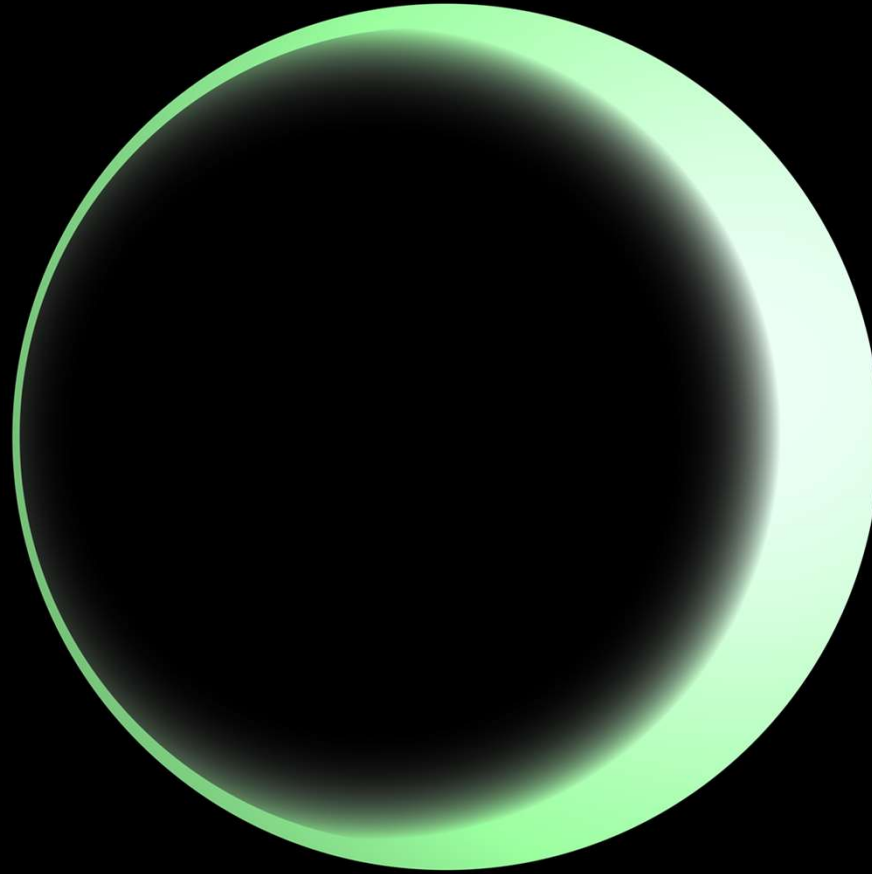
Appendices

Appendix 1 – Tandridge District Council – Indicative Planning report to the Audit and Scrutiny Committee for the 2021/22 audit.

Background papers

None

----- end of report -----



Tandridge District Council

Indicative planning report to the Audit and Scrutiny Committee for the
2021/22 audit

12 September 2022

Dear Chair,

Statutory audit of the financial statements of the Tandridge District Council (“the Council”) for the year ended 31 March 2022.

We have pleasure in setting out in this report the principal matters that we will focus on during our audit of Tandridge District Council (the Council) for the period ended 31 March 2022. This letter covers those matters which Auditing Standards require us to communicate to those charged with governance (the “Audit and Scrutiny Committee”). Our audit planning is at a preliminary stage since our focus has remained completion of the 2020/21 audit, therefore, we will keep this plan under review when we complete our detailed planning and risk assessment for the coming year once the 2021/22 financial statements are completed and 2020/21 has been signed.

Audit Scope Page 18

Our principal audit objective is to obtain sufficient, relevant and reliable audit evidence to enable us to express an opinion on the statutory accounts of the Council prepared in accordance with the Code of Practice on Local Authority Accounting (“the Code”) issued by CIPFA for the period ending 31 March 2022. We will conduct our audit in accordance with International Standards on Auditing (UK) (“ISA UK”) as adopted by the UK Auditing Practices Board (“APB”) and Code of Audit Practice issued by the National Audit Office.

We anticipate that the Council will continue to be the only individually significant component for the group audit. The group audit team will perform central procedures on the Council’s subsidiary, including considering property valuations as part of our significant risk procedures.

Significant Audit Risks

Our preliminary risk assessment has identified the following significant audit risks, discussed further on pages 3-4:

- Completeness of creditors and related expenditure;
- Property Valuations; and
- The potential risk of management override.

We will update our risk assessment following completion of the 2020/21 audit.

Other Areas of Audit Focus

Other matters which we have not currently identified as significant audit risks for the 2021/22 audit, but which will be areas of audit focus (and whose risk we will reassess as more information becomes available), include:

- Pensions Valuations.

Value for Money The National Audit Office’s 2020 Code of Audit Practice revises the scope of the required work of the auditor on bodies’ arrangements to secure value for money, moving away from a binary conclusion on arrangements in the audit report to a narrative commentary in a new “Auditor’s Annual Report” (which replaces the Annual Audit Letter).

Materiality We plan to set materiality based on 2% of gross expenditure (included in the surplus/deficit on provision of services) in the draft financial statements as the benchmark for determining materiality which is consistent with prior year. We report to the you on all unadjusted misstatements greater than 5% of materiality for the financial statements and other adjustments that are qualitatively material. The materiality set for 2020/21 was £1.16m and we do not expect the 2021/22 materiality to move significantly from this however, we will calculate the actual materiality once the 2021/22 financial statements have been received.

Significant audit risks

Capital expenditure

Risk identified

Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the capital expenditure.

The Council's capital expenditure in 2020/21 was £10.188kk (2019/20 £9,106k).

There is an element of judgement in applying the relevant capitalisation criteria for expenditure. We therefore consider that there is an incentive for revenue expenditure to be capitalised so that this expenditure does not impact the statement of comprehensive income in one year, but is instead spread over a number of years through the depreciation charges in an attempt to report a more favourable year end position.

Our response

Our work in this area will include the following:

We will assess the design and implementation of the key controls in place in relation to the determination of capitalisation expenditure

We will test capital expenditure on a significant risk sample basis to confirm that it complies with relevant accounting requirements

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Property valuation

Risk identified

The Council held £370.52m of land and buildings (including dwellings) at 31 March 2021 and £0.55m of investment properties.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council's land and buildings are revalued every five years, on a rolling basis with a desk top revaluation review carried out annually to identify any material changes to assets not revalued in the year. As a result of this, however, individual assets may not be revalued for four years. There is therefore a risk that that the carrying value of assets not included in the Council's revaluation process in the current year materially differ from the year end fair value. Investment properties are valued each year.

In addition, given the material value of the assets, and judgemental valuation assumptions, there is a risk that property balances may be materially misstated.

Significant audit risks - Continued

Our response

- We will understand and challenge how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;
- We will review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;
- We will use our valuation specialists (Deloitte Real Estate) where considered appropriate, to support our review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's Land and Buildings (including investment property if selected for testing);
- We will test the inputs provided to the valuer; and
- We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

Management Override of Controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgments in the financial statements are those which we have selected to be the significant audit risks and areas of audit interest: completeness of expenditure, valuation of the Council's estate and valuation of the pension liability. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will test the design and implementation of key controls in place around journal entries and management estimates;
- We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;
- We will test the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting;
- We will review accounting estimates for biases that could result in material misstatements due to fraud in line with ISA 540 requirements; and,
- We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Other Areas of Audit Focus

Pensions Valuations

Risk Identified

The Council are part of the Local Government Pension Scheme administered by Surrey County Council. At 31 March 2021, the Council recognised a net pensions liability of £62.7m with a defined benefit obligation of £150.8m and asset value of £88.1m. The Code requires that their year end carrying value should reflect the appropriate fair value at that date.

Hymans Robertson act as the Council's expert actuary, who produce a report outlining the liability and disclosures required for each council.

Our response

We carry out a separate, detailed risk assessment of each of the individual components of the liability calculation (for example market assumptions, membership data, assets and liabilities) using a developed methodology which takes into account factors such as an assessment of the actuary. We will also liaise with the scheme auditor on the results of their audit procedures on the scheme as a whole.

We will consider the make-up of the pension assets and the extent to which the asset types have been valued based on observable market prices or using estimation and judgement in the valuation and consider the extent of uncertainty in the asset valuation and the impact on our approach.

We scope our work, including the nature and extent of our actuarial specialists involvement, in a way which responds to this detailed risk assessment. Should our risk assessment change our overall audit approach in respect of testing pensions, we will notify the Committee.

We will confirm the disclosure of the pension figures in the statement of accounts agree with those provided by the scheme actuary.

Value for Money

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03, we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria:
 - **Financial sustainability:** How the body plans and manages its resources to ensure it can continue to deliver its services.
 - **Governance:** How the body ensures that it makes informed decisions and properly manages its risks.
 - **Improving economy, efficiency and effectiveness:** How the body uses information about its costs and performance to improve the way it manages and delivers its services.
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report (which replaces the Annual Audit Letter), setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to VfM arrangements, which might include emerging risks or issues.
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Specific areas that we expect to focus on in understanding the Council's arrangements include the Council's response to the financial uncertainty from Covid-19 in 2021/22, the Council's budgeting process, the internal control environment at the Council and the Council's longer term planning for financial sustainability.

Scope of work and approach

Key areas of responsibility under the Audit Code of Practice

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA UK") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the NAO. The Council will prepare its accounts under the Code of Practice on Local Council Accounting ("the Code") issued by CIPFA.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources, as discussed further on page 6.

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA UK 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements. We will review their reports and discuss with them where necessary to understand their work. We will review the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I"). The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Audit fees

The "scale fee" set by Public Sector Auditor Appointments Limited for the financial statement audit is £35,536.

For 2022, there are on-going discussions with PSAA in respect of scale fees. We will propose the fee for 2022 following completion of the 2021 audit. We would highlight that we would expect there to be significant fee increases reflecting a number of changes in 2021, not yet agreed, including the requirements of the revised Code of Audit Practice in particular in respect of Value for Money, the increased requirements on audit of accounting estimates under the revised ISA 540, and wider regulatory changes increasing the cost of audit delivery.

Overrun fees for 2018/19, 2019/20 and 2020/21 remain open and will be discussed further with management.

Independence

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Tandridge District Council and will reconfirm our independence and objectivity to the Audit and Scrutiny Committee for the year ending 31 March 2022 in our final report to the Audit and Scrutiny Committee. We have not undertaken any non-audit services in the year.

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

As part of our obligations under International Standards on Auditing (UK) and the APB's Ethical Standards we are required to report to you on all relationships (including the provision of non-audit services) between us and the audited entity.

We confirm all Deloitte network firms are independent of the Council. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

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Fraud responsibilities and representations

Responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Inquiries

We will make the inquiries regarding management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.

Whether management, internal audit and those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud, including process for identifying and responding fraud and communication of fraudulent behaviour.

How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our preliminary audit plan, including key audit judgements and the planned scope.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

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Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Bristol, 12 September 2022

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External Audit - finalisation of 2020/2021 accounts

Audit & Scrutiny Committee Tuesday, 27 September 2022

Report of: Chief Finance Officer (Section 151)

Purpose: For note

Publication status: Unrestricted

Wards affected: All wards

Executive summary:

Deloitte have provided a Draft Report to the Audit and Scrutiny committee covering the 2020/21 audit, attached as an appendix to this report. The audit is at an advanced stage however a number of items are to be finalised. The report sets out the current status and conclusions thus far.

This report supports the Council's priority of: Building a better Council.

Contact officer Mark Hak-Sanders Chief Finance Officer (S151)
mhaksanders@tandridge.gov.uk

Recommendation to Committee:

The current position with regard to the Statement of Accounts 2020/21 be noted.

Reason for recommendation:

The report provides an update to the Audit and Scrutiny committee on the finalisation of the 2020/21 audit. When the audit is complete, an updated document with any changes highlighted will be provided to committee, along with the final accounts for signing.

Officers have discussed the timescale for finalisation with Deloitte. Whilst it is the intention to present the final position to the next committee, Deloitte and

officers cannot guarantee this until quality assurance work is complete. Both parties are committed to concluding the audit as soon as possible.

Overview

1. The Council's external auditors, Deloitte, have provided a report to inform committee of the current position of the audit of the Council's 2020/21 financial statements. This report is set out in Appendix A.
2. No significant financial reporting issues have been raised in the draft report. A potential adjustment in respect of the pension liability is being discussed with the external auditor and Surrey Pension Fund to determine whether a change to the accounts is required. This change would have no impact on the General Fund, Housing Revenue Account or overall budgetary position of the Council and, if required, would be a technical adjustment to the balance sheet.
3. The report refers to the Council's adherence to expected audit responses on page 6, and flags this as a significant issue, which management acknowledge. The Joint Working Arrangement for Finance has been maturing over the course of this audit and now puts us in a better position to respond appropriately. We will track performance on a regular basis with Deloitte and look to address remaining issues. The report focuses necessarily on the Council's performance however there are concerns over the resourcing and responsiveness of both parties, and management are working with Deloitte constructively to address.

Value for Money Report

4. The report sets out a qualified Value for Money opinion, highlighting significant weaknesses in respect of arrangements for financial sustainability and governance. The Value for Money review is backward-looking and refers to arrangements in place for the 2020/21 financial year. Any improvements to our approach beyond 2020/21 cannot be factored into this audit.
5. Any new recommendations arising from the Value for Money review will be addressed by officers and reported to this committee when they have been finalised by Deloitte. However, the qualified Value for Money report for 2020/21 was expected, given the issues previously reported to committee, including:
 - The Council's low level of reserves;
 - An error in the budgeting for pension costs, subject to the Grant Thornton review; and
 - The 'limited assurance' conclusion of the 2020/21 Internal Audit report

A number of these issues are likely to persist into the 2021/22 Value-for-Money review, but either have been or are being addressed through the Tandridge Finance Transformation Programme and the Future Tandridge Programme. The two programmes were developed with the knowledge of these issues and designed to address them.

Other Findings

6. Page 17 of the Appendix set out findings and a recommendation in respect of the reviewing the control environment. The management response needs to be developed and agreed with Deloitte in order to give committee assurance that the control weaknesses are addressed.

Other options considered

The completion of the audit is a statutory requirement.

Consultation

Not required.

Key implications

Comments of the Chief Finance Officer

There are no direct financial implications of this report. The audit fee, which is yet to be proposed by Deloitte, will be subject to discussion with officers and approval by committee.

Comments of the Head of Legal Services

Although there is a requirement for local authorities to publish audited accounts under the Accounts and Audit Regulations 2015 by a particular date (30 September 2021 for 2020/21 accounts), but this is not a statutory deadline. The significantly delayed audit is nevertheless putting a serious gap in the Council's accountability to residents and undermining public confidence and trust.

Furthermore, as Deloitte is unable complete their work on the Council's accounts submission for 2020-21, the Council is prevented from issuing the notice of conclusion required by Regulation 16 of the Accounts and Audit (England) Regulations 2015.

Equality

There are no Equalities implications directly arising from the statutory audit of the financial statements.

Climate change

There are no Climate Change implications directly arising from the statutory audit of the financial statements.

Appendices

Appendix A – Draft Tandridge District Council Report to the Audit & Scrutiny committee on the 2020/21 audit.

Background papers

None

----- end of report -----



Tandridge District Council

Report to the Audit & Scrutiny Committee on the 2020/21 audit

Issued on 15 September 2022 for the meeting on 27 September 2022

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our report to the Audit & Scrutiny Committee of Tandridge District Council (the Council) for the 2020/21 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2021.

Status of our Statement of Accounts audit

Our audit is at an advanced stage but remains ongoing as at the date of this report. There are various open items, however, the key items that are outstanding are as follows:

- finalisation of journals testing;
- value for money;
- receipt of financial statements after addressing comments raised during the audit and updating due to the passage of time;
- completion of internal quality assurance procedures;
- collection fund testing;
- the council's assessment of expected credit risk in line with IFRS 9;
- conclusion on property valuations;
- conclusion on the pension liability and assumptions;
- miscellaneous outstanding sample items and follow up queries;
- receipt of signed management representation letter; and
- our review of events since 31 March 2021 through to signing.

We have included a section in this report providing a summary of the risks, planned procedures and any issues to date arising from the work on the areas of significant risk and other areas of audit focus.

Status of our Value for Money audit

Our work in this respect is still ongoing, however, we expect to report a number of significant weaknesses in the arrangements to secure value for money. We will finalise our findings in our draft report in due course, however, we anticipate reporting weaknesses in the following areas:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services. In particular, we note from our discussions with management that at the beginning of the period there were weaknesses in management's understanding of overspending and deviations from plan were not reliably understood. We note that the council has limited reserves.
- Governance: how the body ensures that it makes informed decisions and properly manages its risks. In particular, the opinion of the Council's Head of Internal Audit is that only 'limited' assurance can be placed on the framework of governance risk and control. These issues provide evidence of weaknesses in proper arrangements for managing risks effectively and maintaining a sound system of internal control. We noted weaknesses in how the body approached and carried out its annual budget setting process.

Introduction

The key messages in this report (continued)

Conclusions from our testing

- We have not identified any material audit adjustments or disclosure deficiencies to date, except as disclosed in this report, but this is subject to the finalisation of the audit.

Narrative Report & Annual Governance Statement

- We have reviewed the Council's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work.
- We have made recommendations for some changes to the narrative statement and annual governance statement and we are awaiting a final updated version.

Duties as public auditor

- We did not receive any queries or objections from local electors this year.
- We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

Whole of Government Accounts

- The Council is not a sampled component for WGA reporting.

Responsibilities of the Audit & Scrutiny Committee

Helping you fulfil your responsibilities

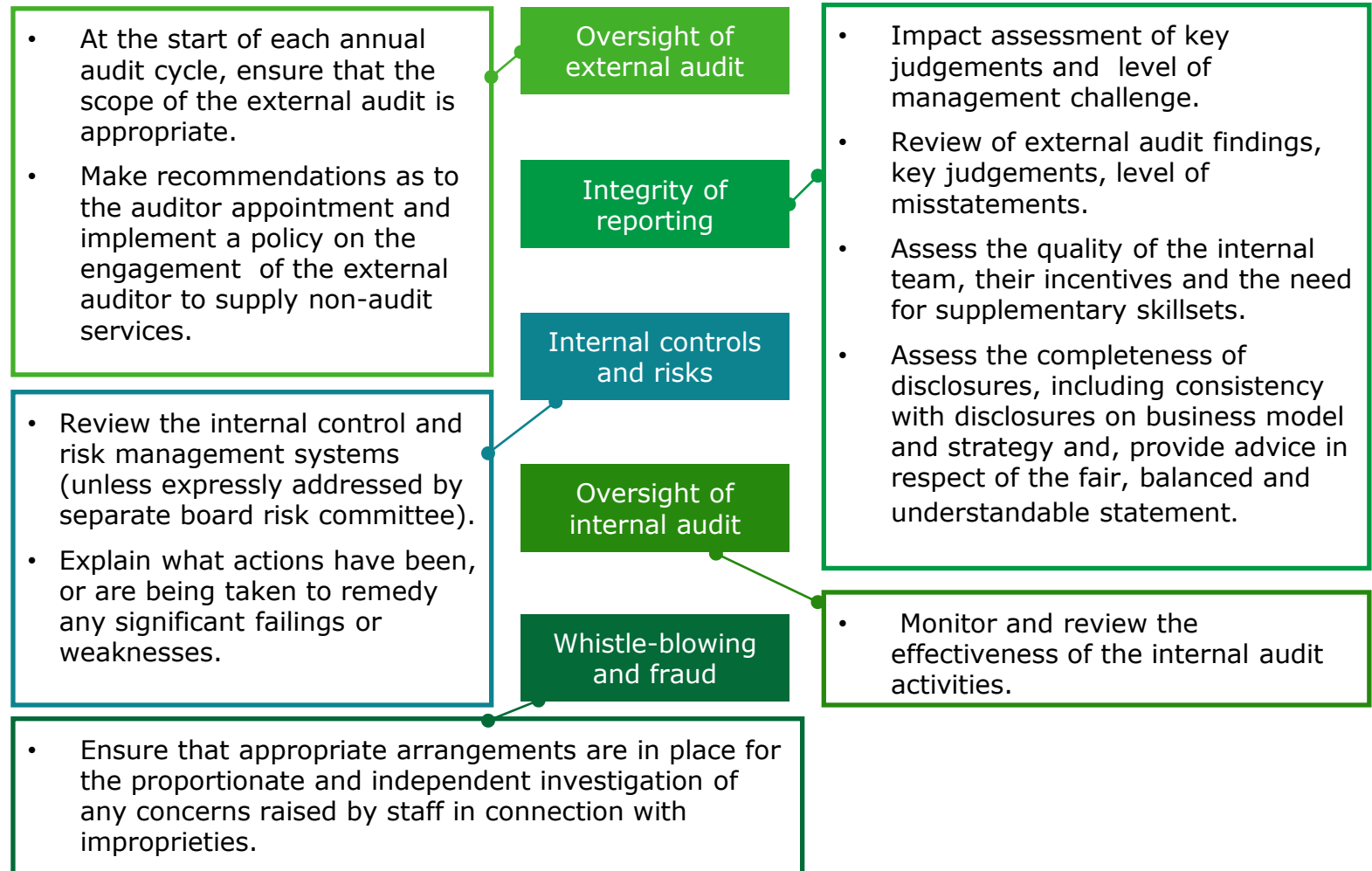
Why do we interact with the Audit & Scrutiny Committee?



We use this symbol to highlight areas of our audit where the Audit & Scrutiny Committee needs to focus attention.



As a result of regulatory change in recent years, the role of the Audit & Scrutiny Committee has significantly expanded. We set out here a summary of the core areas of Audit & Scrutiny Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit & Scrutiny Committee in fulfilling its remit.



Quality indicators

Impact on the execution of our audit



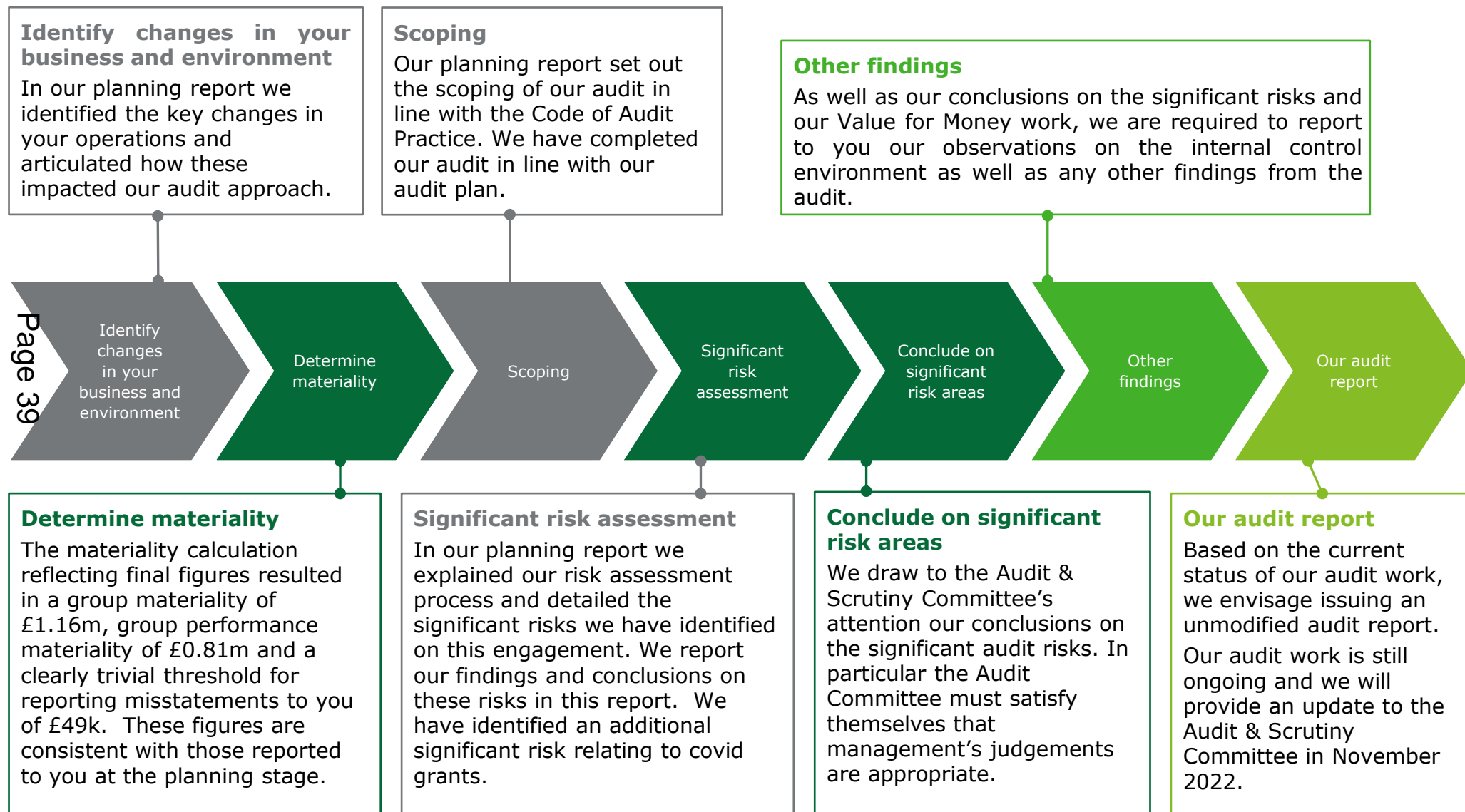
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

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Area	Grading	Further detail
Adherence to deliverables timetable		<p>There have been challenges throughout the audit in this regard which have caused delays in the finalization of the audit. Management have been competent and engaged however we have experienced delays in receipt of responses to some audit requests throughout the audit period.</p> <p>We have included data from Connect in relation to the timeliness of data in order for Deloitte and Management to work together to agree a Connect Protocol on how we will use Connect in order to hold each other to account and ensure we see improvements in this area which will be beneficial to both teams going forward.</p> <p>We have scheduled bi-weekly calls between our team and the council throughout the audit and increased these to daily over the last few months to drive completion, which has ensured that audit requests are being discussed on a timely basis to ensure any issues are resolved on a timely basis.</p> <div data-bbox="1464 778 1908 1150"> <p>Completed Requests ⓘ</p> <p>19% ON TIME 47 AVG DAYS OVERDUE</p> <p>On time 83</p> <p>Overdue 1-7 days 97</p> <p>Overdue 8+ days 260</p> </div>
Access to finance team and other key personnel		We are communicating daily with the finance team.
Quality of draft financial statements		We note that much of the narrative in the draft accounts has not been updated to reflect the passage of time between their first drafting and our anticipated date of signing. We have recommended that management update the text which they have agreed to do. Whilst the draft accounts were of a reasonable quality, some of our comments/queries have gone unanswered for over a year.





















Our audit explained

We tailor our audit to your organisation and your strategy



Significant Risks and Areas of Audit Focus

Dashboard

Risk	Material	Fraud risk	Approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations based on work to date	Page no.
Significant risks						
Valuation of property assets				Satisfactory		9
Completeness of liabilities and expenditure				Satisfactory		10
Recognition of COVID-19 grant income				Satisfactory		11
Management override of controls				Satisfactory		12
Area of Audit Focus						
Pension liability valuation				Satisfactory		14

Controls approach adopted



Assess design & implementation

*

Subject to satisfactory conclusion of minor outstanding matters

Significant audit risks and areas of audit focus

Valuation of property assets

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

The Council held £376m of property assets at 31 March 2021, a movement of £9.4m, when compared to 31 March 2020.

The Council updates the valuation of its properties using a rolling revaluation programme. The effective date of this valuation was 31 December 2020.

For Investment Properties, the Council instructs its valuer to perform a full revaluation on an annual basis as at 31 December with a review of index movements to year end.

Deloitte response and challenge

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We planned to perform the following procedures, some of these procedures are still ongoing:

- We have reviewed the design and implementation of the controls in place in relation to property valuations;
- We are considering the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We have engaged our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets – this work is currently being finalised;
- We sample tested key asset information used by the Council's valuers in performing their valuation, such as gross internal areas, back to supporting documentation;
- We are reviewing assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- We have considered the impact of Covid-19 on the valuation of property assets and ensured, where necessary, the Council has reflected the impact in their valuations; and
- We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.

Conclusion

We have not yet concluded on the work in its entirety, as the some of the procedures are currently being performed by the engagement team and specialist.

Any issues noted based on the conclusion of our engagement team and specialist work will be communicated to the Audit & Scrutiny Committee in the form of finalized ISA 260 letter later.

Significant audit risks and areas of audit focus (continued)

Completeness of liabilities and expenditure

Risk identified	<p>Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. At the planning stage, we expected to rebut the risk of fraud in revenue recognition. As an alternative, we concluded that the fraud risk lay with the completeness of expenditure and completeness and valuation of accruals.</p> <p>For 2020/21, the current approved budget Council was for net expenditure of £11.3m. Given the Council's current budget position and the cost pressures across the sector, there is a risk that the year-end position could be manipulated by omitting or understating accruals. There is also a heightened risk of costs being omitted due to the ongoing impact on ways of working at the council and in suppliers and in light of the extremely challenging financial position at the council.</p> <p>This slide addresses this identified risk, however, at the final audit, we identified accounting for covid grants as an additional audit risk within the revenue balance. This is reported to you on slide 11.</p>
Deloitte Response and Challenge	<p>We have completed the following procedures:</p> <ul style="list-style-type: none">• We obtained an understanding of and tested the design and implementation of the key controls in place in relation to recording completeness of expenditure and accruals;• We performed focused testing in relation to the completeness of expenditure including a detailed review of expenditure and accruals;• We are performing testing for unrecorded liabilities based on payments made and expenses recorded in the period after year end to the end of June;• As part of the above focused testing, we challenged the assumptions made in relation to year end accruals; and• In addition, we have reviewed significant movements in accruals year on year and evaluated for consistency with our understanding of the Council and, where considered appropriate, corroborated the reason for movement to supporting information.
Conclusion	<p>We have not yet concluded on the work in its entirety, as the some of the procedures are currently being performed by the engagement team, namely our work on unrecorded liabilities. Other tests supporting this risk are substantially complete and no errors have been identified.</p> <p>Any issues noted based on the conclusion of our engagement team work will be communicated to the Audit & Scrutiny Committee in the form of finalized ISA 260 letter later.</p>

Significant risks and areas of audit focus (continued)

Recognition of Covid-19 grant income

Risk identified	<p>ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.</p> <p>We have assessed the income streams of the Council, the complexity of the recognition principles and the extent of any estimates used, and concluded that, with the exception of the funding received in 2020/21 in response to the Covid-19 pandemic, there is no significant risk of fraud.</p> <p>During 2020/21, the Council has received additional funding in relation to Covid-19 grants. In addition, there are a number of business support schemes designed to help eligible businesses during the Covid-19 pandemic that are being administered by Councils on behalf of Central Government.</p> <p>We have pinpointed the significant risk to the completeness and accuracy of the agency arrangement disclosures, where the Council has acted as an agent on behalf of Central Government in administering Covid-19 grants.</p> <p>The key judgement for management is assessing whether the Council is acting as a principal or agent in administering the Covid-19 schemes, and how this is subsequently recognised in both the Comprehensive Income and Expenditure Statement and Balance Sheet.</p>
Deloitte response and challenge	<p>We have completed the following procedures:</p> <ul style="list-style-type: none">• Assessed the design and implementation of the controls in relation to the accounting treatment of all COVID-19 related funding;• We reviewed the accounting treatment of each significant grant claim and challenged the appropriateness of the approach adopted.• Tested a sample of funding for Covid-19 grants and confirmed these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet;• Considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgement and key sources of estimation uncertainty disclosures;• Tested the agency arrangement disclosures to confirm, where it is concluded that the Council is acting as an agent, that:<ul style="list-style-type: none">• Transactions have been excluded from the Comprehensive Income and Expenditure Statement;• The Balance Sheet reflects the debtor or creditor position at 31 March 2021 in respect of cash collected or expenditure incurred on behalf of the principal; and• The net cash position at 31 March 2021 is included in the financing activities in the Cash Flow Statement.
Conclusion	<p>Our work is substantially complete and we have no matters to bring to the attention of the Audit & Scrutiny Committee at this stage, however, final review remains ongoing and we have one procedure to finalise.</p>

Significant audit risks and areas of audit focus (continued)

Management override of controls

Risk identified

There is a presumed risk of management override of controls in all audits. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.

Deloitte response and challenge

We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:

- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

- We have tested the design and implementation of controls in relation to journals.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Significant audit risks and areas of audit focus (continued)

Management override of controls

**Deloitte
response
and
challenge
(continued)**

Accounting estimates

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

We have no matters to bring to the attention of the Audit & Scrutiny Committee at this stage, however, managerial and director level review and some follow up requests on journals testing remain outstanding.

Significant audit risks and areas of audit focus (continued)

Area of audit focus: Pension liability valuation

Risk identified

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Surrey Pension Fund, which is part of the Local Government Pension Scheme.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Balance Sheet. Per the draft financial statements at 31 March 2021, this totalled £62.73 million. As a result of this being an estimated balance there is a risk that inappropriate inputs and assumptions are used, which could result in the pension liability valuation being materially misstated.

Deloitte response and challenge

We have completed the following procedures:

- We obtained a copy of the actuarial report for the Council produced by Hymans Robertson, the scheme actuary, and agreed the report to the Statement of Accounts pension disclosures.
- We reviewed the disclosures made in the Statement of Accounts against the requirements of the Code.
- We sought assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We are reviewing and challenging the assumptions made by Hymans Robertson with the support of our internal pension specialists.
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.

Conclusion

We have not yet concluded on the work in its entirety, as the various actuary assumptions are currently being evaluated by the our pension specialist.

In addition, Grant Thornton reported to us that Private Equity investments of Surrey Pension Fund are understated by £38m. Tandridge District Council has 1.61% of scheme assets, so applying this adjustment to the Council's accounts would result in £608k adjustment in respect of net pension liabilities (see page 23).

Any further issues, based on the conclusion of our specialist work, will be communicated to the Audit & Scrutiny Committee in the form of finalized ISA 260 letter later.

Value for money

Our work is on-going and will be reported in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

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Our Value for Money work is necessarily retrospective and looking at arrangements in place for the 2020/21 financial year. Whilst information which comes to light about arrangements in place during the year under audit is of value, we are unable to have regard to evidence of improvements made in 2021/22 onwards.

Status of our work

Our Value for Money work is on-going, and will be reported in our Auditor's Annual Report within the three month timeframe specified under the National Audit Office Auditor Guidance Note 3.

Based on our work, we have concluded there are significant weaknesses in arrangements in respect of financial sustainability and governance. Our financial statement audit opinion will refer to the significant weaknesses in arrangements including noting the continued weaknesses in respect of sustainable resource deployment and informed decision making which we qualified our opinion in respect of in 2019/20 under the previous Value for Money reporting arrangements.

Value for money

Qualified audit conclusion

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements, and held follow-up interviews on areas where additional information was required.

In addition, we have:

- reviewed of the Council's draft Annual Governance Statement;
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion;
- considered issues identified through our other audit and assurance work;
- considered the Council's financial performance and management throughout 2020/21;
- considered whistle blowing reports received in the previous period and the follow up investigation completed by the council; and
- considered the Grant Thornton reports on the budget gap and the outturn position.

We have also considered the impact of Covid-19 on the governance and control processes in place at the council and the processes and controls put in place in order to deal with the Covid-19 business support schemes.

Findings of our work to date

Our work in this respect is still ongoing, however, we expect to report a number of significant weaknesses in the arrangements to secure value for money. We will finalise our findings in our draft report in due course, however, we anticipate reporting weaknesses in the following areas:

- **Financial sustainability:** how the body plans and manages its resources to ensure it can continue to deliver its services. In particular, we note from our discussions with management that at the beginning of the period there were weaknesses in management's understanding of overspending and deviations from plan were not reliably understood. We note that the council has limited reserves.
- **Governance:** how the body ensures that it makes informed decisions and properly manages its risks. In particular, the opinion of the Council's Head of Internal Audit is that only 'limited' assurance can be placed on the framework of governance risk and control. These issues provide evidence of weaknesses in proper arrangements for managing risks effectively and maintaining a sound system of internal control. There are weaknesses in how the body approaches and carries out its annual budget setting process.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p data-bbox="168 587 414 619">Internal controls</p> <p data-bbox="168 659 784 1010">Under ISA, we are required to obtain the understanding of the relevant controls and perform design and implementation testing in respect of the significant risks, moreover, we are required to obtain understanding of the business process as part of our risk assessment. We noted that management could not provide the relevant evidence of control reviews having taken place in some instances.</p> <p data-bbox="168 1050 784 1217">Management explained that the reason they could not provide evidence of review controls having been completed in some instances was because staff had left the council.</p>	<p data-bbox="828 587 907 619">2022</p> <p data-bbox="828 635 952 667">Medium</p> <p data-bbox="828 675 963 738">Control activities</p>	<p data-bbox="1104 587 1485 834">We recommend that management should devise a protocol to ensure the evidence of review controls is retained, even if personnel changes occur.</p>	<p data-bbox="1523 587 1971 659">To follow pending further discussion with management.</p>

Your control environment and findings

Control deficiencies and areas for management focus (continued)

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p>While performing the audit procedures on the pension liabilities/assets, we noted that there was an error in the Private Equity assets valuation of the Surrey Pension Funds amounting to £38m (as mentioned in the previous pages). Tandridge District Council's management was not aware of this and has not adjusted the council accounts.</p> <p>Management was not aware of this until we raised it and management has now reached out to Surrey Pension Fund and actuary. Management is currently awaiting responses before considering the actions in this respect.</p>	<p>2022 Medium Control activities</p>	<p>We recommend that management should devise a mechanism which would enable management to track any changes in the fund that could affect the Tandridge District Council's books.</p>	<p>To follow pending further discussion with management.</p>

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Our audit report

The form and content of our report

Here we discuss how the results of the audit impact on our audit report. An overview of our financial statement audit work will be included in our Auditor's Annual Report.



Our opinion on the financial statements

Our opinion on the financial statements is expected to be unmodified.



Emphasis of matter and other matter paragraphs

We anticipate including an emphasis of matter paragraph to reflect the material valuation uncertainty included by your valuer over some of your property valuation.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Value for Money reporting by exception

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

Our work in this respect is still ongoing. However, we expect to issue a qualified value for money opinion in line with previous year.



Irregularities and fraud



We will explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to **all** entities for periods commencing on or after 15 December 2019

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation 	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Our preliminary review identified a number of areas where the Narrative Reports needed revising in order to comply with guidance and to ensure that they were fair, balanced and understandable.</p> <p>We have requested that management update the narrative report to reflect the passage of time prior to approval of the financial statements.</p> <p>Responses to some of our points are outstanding and any issues remaining at the time of signing will be raised in the final ISA 260 report issued at the time of signing.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit.</p> <p>Responses to some of our points are outstanding and any issues remaining at the time of signing will be raised in the final ISA 260 report issued at the time of signing.</p>

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit & Scrutiny Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit & Scrutiny Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

We welcome the opportunity to discuss our report with you and receive your feedback.

Please note some of the audit work is still undergoing and this report should be considered as interim ISA 260 report based on the status of audit to date. We will issue the updated version of this report, upon finalization of audit, which should be considered as final version.

Deloitte LLP

Bristol | 15 September 2022

Appendices



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Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements increase the CIES by £0.6 million and increase net assets by £0.6 million.

	Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) OCI/Equity £m	Memorandum Debit/ (credit) General Fund £m	If applicable, control deficiency identified
Misstatements identified in current year					
Pension liabilities adjustment in respect of planned asset	[1]	£608k	(£608k)		
Misstatements identified in prior years					
	None				
Aggregation of misstatements individually < £816k					
Total		£608k	(£608k)		

[1] For detail, please refer the section of "Other areas of audit focus".

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and our objectivity is not compromised.

Fees

The "scale fee" set by Public Sector Auditor Appointments Limited for the financial statement audit is £35,536, which is consistent with the prior year.

Following completion of the 2019/20 audit, we are in the process of reviewing the audit fee in order to reflect the issues which were noted during the audit and will agree this with management before presenting to the audit & scrutiny committee.

In addition, for 2021 we will be proposing a fee variations for the council reflecting

- our experience of the cost of delivery of the audit
- wider factors impacting the cost of the delivery of the audit due to regulatory changes and requirements including changes to the Value for Money Requirements.

No other non audit fees have been charged by Deloitte in the period.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have not other relationships with the Council or Group, its councillors, senior managers and affiliates, and have not supplied any services to other known connected parties.



Our approach to quality

AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC’s findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of

impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

Our approach to quality

AQR team report and findings

The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.

Enhance the consistency of group audit teams' oversight of component audit teams.

Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."

Our approach to quality

AQR team report and findings

Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets

How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We refreshed our Impairment Centre of Excellence ("COE") to establish clear partner leadership and introduced frequent communication touchpoints to share best practice, hot topics and technical updates.
- We performed a risk focused strategic allocation of impairment specialists for a selection of December 2020 audit engagements, taking into account industry knowledge and experience. Going forward we will seek to involve the EQCR partner to determine whether the allocated specialist should have industry knowledge or whether generalist knowledge would provide an enhanced independent challenge to an industry focused engagement team.
- We will update our impairment guidance notes and consultation document to include specific risk criteria which require further discussion with a panel of specialists, including, but not limited to, where the audit team develop their own model or where cashflow forecasts extend beyond a commonly used period.
- The launch of the Digital Blueprint project management tool will assist teams in prioritising their time across all areas of the audit.
- We will hold workshops with our partners and directors to bring to life the common causes that have led to FRC findings and to ensure greater consistency in expectations in respect of the expected depth of review.
- We have introduced a new coaching program to support the development of primary reviewing skills and to identify any reviewing skills gaps which need addressing.

- To respond to the poor quality and untimely preparation of information by the company for audit, we expect, where appropriate, to increase the communication with management and those charged with governance so that there are clearer expectations in respect of the quality of information prepared for audit.
- We have updated our impairment template memo to reflect the most recent inspection findings we will develop additional training materials on hot topics and areas of regulatory focus, for example, guidance to assist in the challenge of cash flow assumptions and cost reduction initiatives.
- We also developed a new template to support teams in auditing accounting estimates in response to the requirements of ISA (UK) 540 revised 'Auditing Accounting Estimates & Related Disclosures'.

How we addressed this area in our audit

- We have involved the valuation specialist to evaluate the valuation and assumptions of the properties of Tandridge District Council, among other procedures, they will help us identify any impairments.
- We have involved the pension specialist to evaluate whether movement within the planned assets is in line with expected change based on various financial and economical indices. This would indicate whether there could be impairment.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Audit & Scrutiny Committee to confirm in the fraud discussion call and in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud / you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Audit & Scrutiny Committee to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

During our year end audit, we identified the risk of fraud in the recognition COVID-19 grant income and management override of controls as a significant audit risk. The audit work performed to date and any issues has been reflected in the previous slides of significant risks.

During course of our audit, we have had discussions with management, those charged with governance and Internal Audit. In particular, we had meetings with Internal Audit and reviewed their reports to understand the findings from the Customer First investigation and to understand the implications of their limited or no assurance reports for the purpose of informing our risk assessment.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No significant concerns have been identified from our work to date, except as disclosed elsewhere in this letter.



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Internal Audit Charter 2022 - 23

Audit & Scrutiny Committee - Tuesday, 27 September 2022

Report of: Neil Pitman – Head of Southern Internal Audit Partnership
Neil.pitman@hants.gov.uk

Purpose: Decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report presents the revised Internal Audit Charter 2022-23 in accordance with the requirements of the Public Sector Internal Audit Standards.

This report supports the Council's priority of: Building a better Council

Contact officer Mark Hak-Sanders Chief Finance Officer and Section 151 Officer mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That the Committee approves the Internal Audit Charter 2022/23

Reason for recommendation:

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to produce an Internal Audit Charter for approval by Senior Management and the Audit & Scrutiny Committee.

Introduction and background

1. The Accounts and Audit (England) Regulations 2015 state:

'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance.'

2. The Public Sector Internal Audit Standards (attribute standard 1000) requires that all internal audit activities maintain an 'internal audit charter'.
3. The charter is a formal document that defines the internal audit activity's purpose, authority and responsibility consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.
4. The internal audit charter establishes internal audits position within the organisation including:
 - Recognising the mandatory nature of the Public Sector Internal Audit Standards
 - Defining the scope of internal audit responsibilities.
 - Establishing the responsibilities and objectives of internal audit.
 - Establishing the organisational independence of internal audit.
 - Establishing accountability and reporting lines (functional and administrative).
 - Setting out the responsibilities of the board and the role of statutory officers with regard to internal audit.
 - Arrangements that exist with regard anti-fraud and anti-corruption.
 - Establishing internal audit rights of access.
 - Defining the terms 'board' and 'senior management' for the purpose of internal audit; and
 - Arrangements in place for avoiding conflicts of interest.
5. In accordance with the Standards the internal audit charter should be reviewed annually (minimum) and approved by senior management and the Audit & Scrutiny Committee
6. Appendix A provides a draft copy of the Internal Audit Charter 2022/23 for review and comment.

Key implications

Comments of the Chief Finance Officer

The Internal Audit Charter provides clarity over the role and expectations of internal audit with particular regard to their independence and reporting lines within the Council. There are no direct financial implications of this report.

Comments of the Head of Legal Services

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the

effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

The Internal Audit Charter is intended to provide an overview of internal audits purpose, authority and responsibility. An effective internal audit protects the Council and its Officers and provides an assurance to stakeholders and residents regarding the security of the Council's operations.

Equality

In consideration of impacts under the Public-Sector Equality Duty the proposal within this report do not have the potential to disadvantage or discriminate against different groups on the community.

Climate change

There are no environmental / sustainability implications associated with this report.

Appendices

Appendix 'A' - Internal Audit Charter 2022/23

Background papers

None

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Internal Audit Charter – 2022/23

1. Introduction

1.1. The Public Sector Internal Audit Standards ('the Standards') provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

1.2. The Standards form part of the wider mandatory elements of the International Professional Practices Framework ('IPPF') which also includes:

- the mission
- core principles
- definition of internal audit
- Code of Ethics.



1.3. The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.

1.4. The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.

1.5. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility that is consistent with the mandatory requirements of the Public Sector Internal Audit Standards ('PSIAS') and Local Authority Guidance Note (LGAN') produced by the Chartered Institute of Public Finance and Accountancy ('CIPFA') and the Chartered Institute of Internal Auditors ('IIA').

2. Mission and Core Principles

2.1. The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

2.2. The 'Core Principles'¹ underpin delivery of the IPPF mission:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

¹ [Public Sector Internal Audit Standards](#)

3. Authority

- 3.1. The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which specifically require that a relevant body must:

‘undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

- 3.2. The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

4. Purpose

- 4.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

- 4.2. This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

- 4.3. The role of internal audit is best summarised through its definition within the Standards, as an:

‘independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

5. Responsibility

- 5.1. The responsibility for maintaining an adequate and effective system of internal audit within the Council lies with the Chief Finance Officer (‘S151 Officer’). For the Council, internal audit is provided by the Southern Internal Audit Partnership.

- 5.2. The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the ‘Mission’, ‘Core Principles’, ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and ‘the Standards’.

6. Organisational Relationships

- 6.1. The Chief Internal Auditor reports functionally to the Audit & Scrutiny Committee, and organisationally to the Chief Finance Officer who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.
- 6.2. The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.
- 6.3. The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality, and standards.
- 6.4. Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e., the Audit and Scrutiny Committee).
- 6.5. The Chief Internal Auditor will promote a co-operative and professional working relationship with the Council's external auditors.

7. Internal audit resources

- 7.1. The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, Management Team, and other professionals.
- 7.2. The Chief Finance Officer will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.
- 7.3. The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications, and experience required to deliver the audit plan.
- 7.4. The Internal Audit plan will identify the audit days required to complete the work, thereby highlighting sufficiency of available resources.
- 7.5. The Management Team and Audit & Scrutiny Committee will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

7.6. The Internal Audit plan will be submitted to the Management Team and Audit & Scrutiny Committee, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

7.7. Matters that jeopardise the delivery of the plan or require significant change will be identified, addressed, and reported to the Management Team and Audit & Scrutiny Committee for approval. 'Significant' shall mean changes that in the Chief Internal Auditors opinion will inhibit their ability to deliver an annual opinion.

7.8. If the Chief Internal Auditor, Audit & Scrutiny Committee or Management Team consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Chief Financial Officer accordingly.

8. Independence and objectivity

8.1. Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased, and effective professional judgements and advice.

8.2. Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

8.3. To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities
- operates in a framework that allows unrestricted access to the Management Team and the Audit & Scrutiny Committee
- reports functionally to the Audit & Scrutiny Committee
- reports in their own name
- rotates responsibilities for audit assignments within the internal audit team
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements

8.4. If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to the Management Team and the Audit & Scrutiny Committee. The nature of the disclosure will depend upon the impairment.

9. Due professional care

- 9.1. Internal auditors will perform work with due professional care, competence, and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.
- 9.2. Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity, and respect.
- 9.3. Internal auditors will apprise themselves of the *'Mission', Core Principles', Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.
- 9.4. Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported in accordance with the Council's Anti-fraud and Corruption Policy.
- 9.5. Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. On such occasion the Chief Internal Auditor will liaise with the S151 and/or the Monitoring Officer as appropriate to inform them of the request and intended disclosure. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

10. Access to relevant personnel and records

- 10.1. In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel, and premises, belonging to the Council or its key delivery partner organisations.
- 10.2. Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

11. Scope of Internal Audit activities

- 11.1. The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

- 11.2. The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.
- 11.3. A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.
- 11.4. In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.
- 11.5. Any audit with a no assurance opinion will be subject to re-performance within a year from the date the final report was issued. A contingency allowance will be factored into annual plans to undertake follow up reviews in areas where a limited assurance opinion has been provided in the prior year. The progress in the implementation of agreed management actions is also reported to the Audit and Scrutiny Committee as part of its regular activity reports. Repeated failure to implement the agreed management actions will be reported to the Audit and Scrutiny Committee, who may call the appropriate Officer to account for the failure to correct the control environment.
- 11.6. Managing the risk of fraud is the responsibility of line management and strategic responsibility for reactive and proactive fraud work sits with the S151 Officer who would ensure any suspected or detected fraud or corruption was investigated.
- 11.7. The Council participates in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other local authorities and external agencies to detect potentially fraudulent activity.
- 11.8. The S151 Officer will notify SIAP of any suspected or detected fraud to inform their opinion. They will instruct either SIAP or an external provider to undertake any investigations or reviews as required. SIAP will review the governance arrangement to prevent, detect and investigate fraud and irregularities on a cyclical basis.

12. Reporting

Chief Internal Auditor's Annual Report and Opinion

- 12.1. The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- 12.2. The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report will incorporate as a minimum:
- The opinion
 - A summary of the work that supports the opinion
 - A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Management Team

- 12.3. As those responsible for the leadership and direction of the Council it is imperative that the Management Team are engaged in:
- approving the internal audit charter (minimum annually)
 - approving the risk based internal audit plan
 - receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters
 - making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations
 - receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Audit & Scrutiny Committee

- 12.4. Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Audit & Scrutiny Committee. Such reporting will include:
- approving the internal audit charter
 - approving the risk based internal audit plan and any significant variations
 - receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion
 - making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations
 - receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance
 - approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

13. Review of the internal audit charter

- 13.1. This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to the Management Team and the Audit & Scrutiny Committee for approval.

DRAFT

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Crawley Borough Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Ringwood Town Council Lymington & Pennington Town Council Langstone Harbour Authority Chichester Harbour Authority Isle of Wight College

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

Internal Audit Annual Report & Opinion 2021/22

Audit & Scrutiny Committee Tuesday, 27 September 2022

Report of: Neil Pitman – Head of Southern Internal Audit Partnership
Neil.pitman@hants.gov.uk

Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary:

The purpose of this paper is to provide the Audit & Scrutiny Committee with the Chief Internal Auditors opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the financial year 2021/22.

This report supports the Council's priority of: Building a better Council

Contact officer Mark Hak-Sanders Chief Finance Officer and Section 151
Officer mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That the Committee notes the Internal Audit Annual Report & Opinion 2021/22

Reason for recommendation:

In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the framework of governance, risk and control and to assist in producing the Annual Governance Statement.

Introduction and background

- 1 The Annual Report for 2021/22 (attached at Appendix A) provides the Chief Internal Auditor's opinion on the effectiveness of the framework of governance, risk and control and summarises audit work from which that opinion is derived for the year 2021/22.
- 2 The Audit & Scrutiny Committee's attention is drawn to the following points:
 - Internal audit was compliant with the Public Sector Internal Audit Standards during 2021/22;
 - The internal audit plan for 2021/22 has been delivered; and
 - The Council's framework of governance, risk management and management control are considered to be 'Limited'.
- 3 Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, corrective actions and a timescale for improvement were agreed with the responsible managers.

Key implications

Comments of the Chief Finance Officer

The Annual Report & Opinion provides the Council an important insight into areas of risk for the Council where its key processes are not functioning effectively, and their improvement must be prioritised.

Comments of the Head of Legal Services

There are no direct legal implications of the report. The Accounts and Audit Regulations (England) 2015 require that the findings of the audit review be considered by Council or one of its committees. The Audit and Scrutiny Committee is the designated committee for this purpose.

The Council has set out in the annual governance statement how it plans to address any areas for improvement.

Equality

In consideration of impacts under the Public-Sector Equality Duty the proposal within this report do not have the potential to disadvantage or discriminate against different groups on the community.

Climate change

There are no environmental / sustainability implications associated with this report.

Appendices

Appendix 'A' – Internal Audit Annual Report & Opinion 2021/22

Background papers

None.

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

TANDRIDGE DISTRICT COUNCIL

Annual Internal Audit Report & Opinion 2021-2022

Prepared by: Neil Pitman, Head of Partnership

September 2022

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.



2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

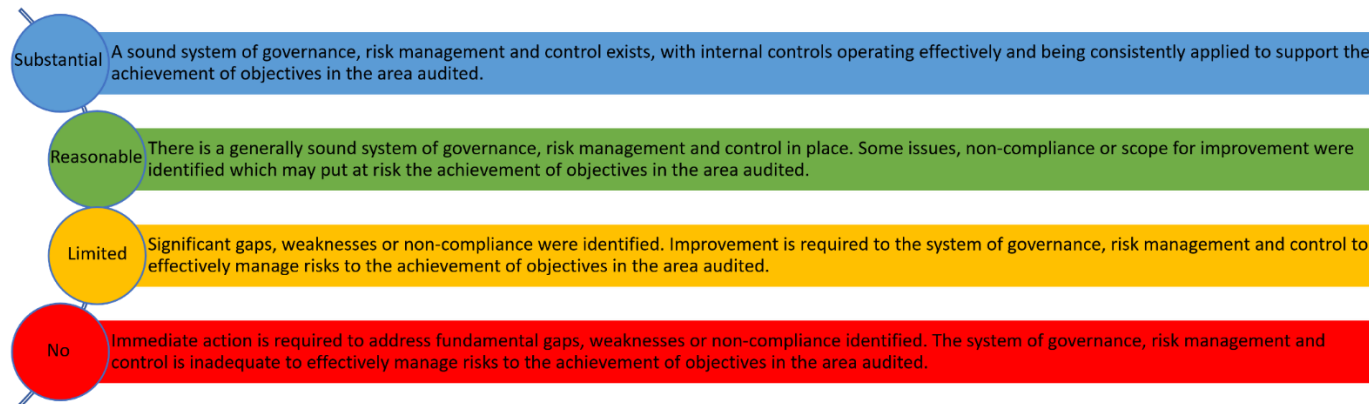
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2021-22 internal audit plan was considered by the Audit & Scrutiny Committee in March 2021. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Management Team and reported in detail to the Audit & Scrutiny Committee in the internal audit progress reports which were reviewed at each meeting.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2021-22 financial year.

Annual Internal Audit Opinion 2021-22

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are **limited**.

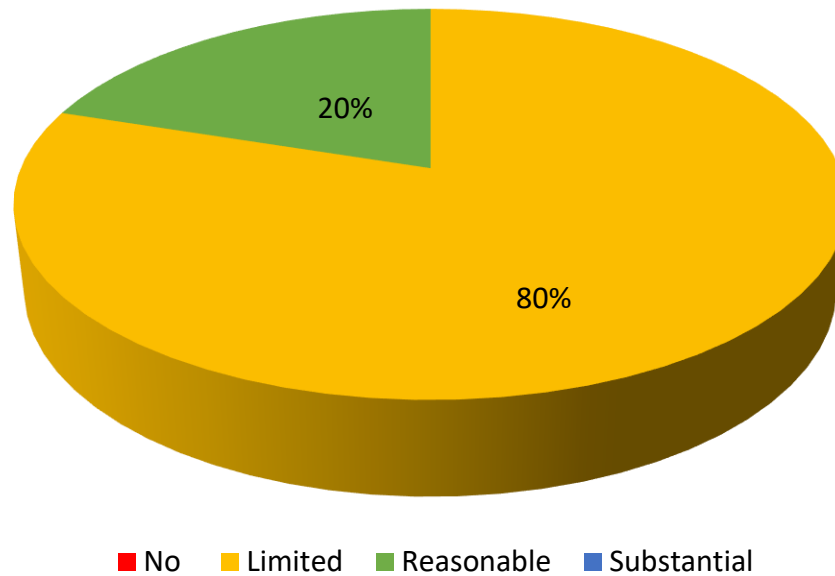
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2021-22 reviews

The findings from our reviews have been reported to the Audit & Scrutiny Committee in full throughout the year and a summary of the assurance opinions is outlined below.

Assurance Opinions



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2021-22 we undertook a review of the Annual Governance Statement, which concluded with a limited assurance opinion. Although CIPFA guidance does not mandate a format for the annual governance statement, it does state that they should be aligned to the Seven Principles of Good Governance and demonstrate how the principles have been met. Our review of the 2020/21 Annual Governance Statement found this not to be the case.

A key source of assurance in the production of the Annual Governance Statement is the Statements of Assurance obtained from the Executive and Senior Leadership Teams, however, no process was in place to obtain and assess such statements at the time of our review.

The prior year's Annual Governance Statement contained an action plan to adopt a local code of corporate governance, bringing together in one place all elements of the Council's governance system. Implementing a local code of corporate governance is a key building block of CIPFA's Delivering Good Governance in Local Government Framework. A draft code was taken to Audit & Scrutiny Committee in January 2021, which the committee noted. However, at the time of the audit, the code had not been formally adopted.

Risk management

The Risk Management Strategy approved by Strategy and Resources Committee on 6 July 2021 sets out the overall framework for risk management. The strategy is comprehensive and outlines a clear framework on key elements including roles and responsibilities, the risk management process, risk appetite scales and tolerance levels; adopted risk scoring methodology; and monitoring and reporting arrangements.

As part of the development of the Risk Management Strategy and adopting a corporate approach, workshops have been held to create an awareness of risk management across the organisation, however, there were some inconsistencies between the training provided and processes adopted in the current strategy.

In line with the Risk Management Strategy, Committee, Corporate and Directorate risk registers are in place and cover all areas of the business. They are held centrally and accessible to relevant officers via SharePoint. However, gaps were identified in the completeness and quality of data.

There has been significant development in the overall framework of risk management at Tandridge District Council, and the steps taken to date are a positive move forward. However, there are further improvements and opportunities to fully embed risk management, enabling it to more robustly support and the Council achieving its targeted priorities and outcomes.

Control

Internal audit work included in the 2021-22 internal audit plan touched on areas where there was found to be a generally sound control environment in place that were working effectively to support the delivery of corporate objectives. However, there continues to be areas of challenge to the organisations control environment.

We generally found officers and staff to be aware of the importance of effective control frameworks and compliance, and open to our suggestions for improvement or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed. However, there remains a significant backlog of management actions that are now overdue for implementation.

As part of the Internal Audit Plan for 2021/22, we sought to review the newly documented end to end processes for Accounts Receivable & Debt Management and Accounts Payable to ensure that they appeared robust and would address the risks/observations raised by our original audit reviews in 2019/20. The work completed by the Exchequer Services Transformation Lead demonstrates that all the actions resulting from the audit reviews have been reviewed comprehensively and factored into the TFT Exchequer Services Transformation Plan.

There are a number of agreed actions that due to the incomplete status of the revised end to end processes we have been unable to substantiate will be mitigated by the proposed control frameworks for both Accounts Receivable and Debt Management and Accounts Payable. It will be critical going forward to maintain the momentum of implementing the new processes and embedding improvements. Full internal audit reviews of Accounts Receivable & Debt Management and Accounts Payable are scheduled to take place in Q3 of 2022-23.

The key areas of challenge identified or confirmed through our work are outlined below:

Fraud Governance Arrangements

A framework was found to be in place to prevent, detect and investigate fraud and irregularities, however, due to its infancy, it had not been fully embedded across the Council.

Despite being reviewed recently, policies and guidance did not always reflect the current underlying legislation or external methods of support. Although the three primary anti-fraud policies reviewed were available to staff and could be accessed by external parties if appropriate, the effectiveness of their use was reduced as points of reference or contact were not always accurate. Also, there were various references across the policies reviewed that referred to other documents or resources which the Council did not have in place including eLearning for staff and reference to documents that were not evident at the time of the audit.

Documentation on the Council website referred to the Council employing a range of roles as part of their response to Council Tax, Housing Benefit and Tenancy related fraud, despite such roles no longer existing.

The Council's Transparency and Open Data fraud reporting obligations were not being met as the webpage for these was incomplete.

Contract Management

We found that there was insufficient detailed guidance available to officers, to convey the Authority's expectations in respect of contract management, with only high-level guidance, via Contract Standing Order 33 'Contract Management'. There was no training available for contract managers.

The high-level guidance did not cover how to manage contract change or the need for due diligence checks during a contract term and to help ensure the financial security of contracts.

Intend (the e-procurement system) was used to compile the Authority's contract register. The system was configured to issue a series of automated reminder emails prior to contract expiry to the officer recorded as responsible for the contract. However, we found that inaccurate contact details were held, consequently, the automatic emails sent by the system would not reach the appropriate officer to manage the re-procurement exercise in all cases.

We found that for the contracts examined, there was no consistent location used to store contract documents and were advised that there was no corporate protocol issued to officers regarding the storage of contract documentation.

Domestic refuse and doorstep recycling contract specific testing

The contract stipulates the need for regular contract performance review meetings, however, at the time of the review, meetings had not occurred in accordance with the contract requirements. Contributory factors had been delayed availability of complete performance data in accordance with the contract's performance management framework, and performance dashboard reports in the Salesforce system.

The garden waste collection scheme is administered by the contractor. Due to IT systems issues (with the contractor), although the Authority received data regarding the quantity of garden waste receptacles charged for each month, it had not received subscriber data volumes to verify income and administration costs of the contractor.

IT Governance

The Authority has established an IT Strategic Plan for 2021-24 which was submitted to Executive Board and Committee for approval. The plan was developed with the assistance of the LGA and is aligned to corporate objectives. The strategy is supported by an IT work plan that identifies fifteen current projects, twenty-four maintenance schemes, and several programmes reflecting PSN accreditation, audit actions and contract renewals in addition to general governance initiatives. Each programme of work has been assigned a resource and a priority.

The Authority has produced five IT policies, however, there remains a number that have not been established to promote and determine an effective IT governance framework. Three out of the five policies that have been developed do not include a reference for defined roles and responsibilities within the organisation. The Authority have proposed an IT Strategy Board and a Digital Design Board however the boards are not currently active, no meetings have taken place during 2021/22 and there are no terms of reference for these boards. There is no effective mechanism in place to escalate and report IT issues arising from project work or operational matters.

Whilst an exercise has been undertaken to identify and capture IT risks in an IT Risk Register and assign each risk to a member of the IT team, only three of the 40 identified risks have controls, probability and impact recorded on the register. No IT risks have been escalated to the Executive Leadership Team and relevant Committees and at present there is no formal escalation process in place.

Database Management

Data management within the Authority is overseen by the IT team and database administration is undertaken by a dedicated IT specialist with experience and knowledge in database management. However, there is limited cover or resilience in the event of staff absence.

Active databases and transaction logs are regularly backed up which provides the opportunity to restore a database up to the last successful transaction. However, restores of databases from back up data were not regularly tested. Some databases did not have the most recent Microsoft security update deployed to them, potentially leaving them vulnerable to exploitation of a known security weakness.

There was no formal policy or procedures for database management, security, back up and patch management although the Authority have implemented a programme to review and develop formal documentation and to capture these documents within SharePoint.

Although a formal change control framework is being proposed for implementation, there was no formal change management process established and any changes were applied reactively within the IT team.

Programme/Project Management

Since 2018 the Council has set out expectations regarding the approach to Project and Programme management within a PPM Handbook, which is supported by a suite of templates for key project documentation. Following a review and refresh of the PPM Handbook during the year there has been no official 'launch' of the updated document set, nor has there been a clear directive which sets out compliance expectations.

Our review identified several inconsistencies with compliance, and, when questioned, some Programme/Project Managers advised that their projects/programmes were exempt from following this guidance, even though there are no formal "exceptions" detailed within the document itself.

As part of the updated PPM Handbook, there is an overarching terms of reference document for Project Monitoring Boards, that outlines the purpose, responsibilities, membership requirements, and frequency of meetings and it sets out clear reporting lines for escalation to the Executive Leadership Team which has now been replaced by the Extended Management Team (EMT). This approach was adopted by ELT, with a view that boards would meet monthly from August 2021. All iterations of the standard terms of reference for project monitoring boards require meetings to be held on a monthly basis. Our audit found that not all boards are meeting monthly, even if there are active projects to monitor.

The latest iteration of the Programme and Project Management Handbook covers the four key stages of Programme and Project Delivery; however, we note that it does not require Programme/Project Managers to make adequate plans/provision of the transfer of Project outputs into the Business As Usual setting. We also note that although the Handbook is titled "Programme" and "Project" Management, it does not sufficiently define the difference between a Programme and a Project but uses the terms interchangeably.

The Handbook also gives very little mention to Benefits Realisation, just stating that Benefits should be realised before a project is closed. It is unusual for benefits to be fully realised within the life cycle of a Project – it is usual for Programmes to include Benefits Realisation as a separate workstream, recognising that Projects are time limited and usually only deliver the capacity for Benefits Realisation.

There is limited in-house or external training opportunities for project delivery staff, including the Project/Programme Sponsor. No Project or Programme Quality Assurance is being undertaken.

Business Continuity & Emergency Planning

The Strategy & Resources Committee terms of reference incorporates a responsibility for 'formulating and reviewing emergency plans', however, there was no evidence (over the past 18 months) of reporting to the Committee in respect of emergency planning arrangements in place at the Council.

Although the Emergency Plan sets out roles and responsibilities in an emergency event, the delegation of powers to the Chief Executive and other senior officers, to make decisions during an emergency has not been documented within the Constitution.

Responsibilities for ensuring that the Business Continuity Plans (BCP's) are tested once a year is documented within the Head of Service statement within individual BCP's, however we were unable to evidence testing of any of the BCP's since 2014.

For two recent business continuity issues, a lessons learnt exercise was not undertaken to identify strengths and weaknesses in the Service response and handling of the incident. Although we confirmed that a periodic admin review is undertaken of the Emergency Response Plan, the leavers process at the Council did not include a process to inform the Emergency Planning & Resilience Officer of those leavers with emergency planning responsibilities, so they can be promptly reallocated.

There is a template BCP which is used corporately enabling consistency and provides management guidance on its completion. However, BCP's reviewed included areas of omission, did not always record a responsible owner and the Heads of Service statements (which set out a responsibility for maintaining the BCP) were not routinely signed and dated.

Safeguarding

A Safeguarding Policy, which defines the expectations and sets clear responsibilities for staff/councillors and volunteers working at the Council is in place and has been recently reviewed and approved by the management team. Within the policy it is stated that there should be a strategic action plan in place, however this is not yet in place and is currently being drafted.

There are ongoing plans to raise awareness of the Safeguarding Policy with all staff via attendance at team briefings. At the time of our review these were approximately 50% complete. Induction training, which includes a safeguarding course has not been completed by all staff. The safeguarding course, introduced last year for members, has also not been completed by all.

There is no framework for monitoring or reporting what is in place to safeguard and promote the welfare of children and of adults with care and support needs across the Council and there is also no reporting to EMT or members on how the Council is meeting its statutory safeguarding duties. The Head of Customer Engagement and Partnerships advised that following a change to the Constitution agreed by Full council on 26th May 2022 oversight of safeguarding has moved from the Audit and Scrutiny Committee to the Community Services Committee and that safeguarding will be included in an annual community safety report.

The Safeguarding Policy for Children and Adults states that safeguarding is referenced in the general conditions of contract for suppliers, however from our review of a sample of contracts we could not find evidence to support this.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is reported to the Audit & Scrutiny Committee throughout the year through the quarterly internal audit progress reports. There remains a significant backlog of management actions that are now overdue for implementation.

6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

8. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2021-22 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered	95%	100%
Positive customer survey response		
● Tandridge District Council	90%	100%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2022).

10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership

September 2022

Annex 1

Summary of Audit Reviews Completed 2021-22

Reasonable

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Review area	Summary
Housing Rents	The scope of this review focused on the arrangements in place for the setting and collection of rents to ensure the maximisation of income due from tenants. The scope included garage rents recorded on Orchard but excluded service charges for leasehold properties sold via the Right to Buy. In general, a sound framework of governance and control was found to be in place with observations relating to the updating of procedure notes, lack of cover in the event of the key officer's absence and the frequency of reporting to the Housing Committee.
Income Collection	This review looked at the income collection activities carried out by the Council to ensure income is identified, collected and accurately recorded. Effective controls were identified for the collection, receipting, banking and reconciliation of income. Areas for improvement of controls were identified in relation to the frequency of changing the safe access code and confirmation of the safe holding limits. An observation was also raised regarding the reconciliation of car parking income due to a lack of transaction details from the cash collector.

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Review area	Summary
Fraud & Irregularities	Although a framework is in place to prevent, detect and investigate fraud and irregularities, due to its infancy, it has not yet been embedded sufficiently within the Council. Despite being reviewed recently, policies and guidance do not always reflect the current underlying legislation or external methods of support. The Council's Transparency and Open Data fraud reporting obligations are not being met as the webpage for these is incomplete.

Annual Governance Statement	The scope of this audit was to give assurance that the Annual Governance Statement for the Council summarised how it complied with its code of governance and met Regulation 6 of the Accounts and Audit Regulations 2015, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021, and relevant CIPFA guidance. Our review of the 2020/21 Annual Governance Statement could not see how it was aligned to the Seven Principles of Good Governance. There was also no evidence that statements of assurance had been obtained from the Executive and Senior Leadership team. At the time of the audit, the code of corporate governance had not been formally adopted.
Contract Management - including Waste	There was insufficient detailed guidance available to officers, to convey the Authority's expectations in respect of contract management and no training available for contract managers. Intend (the e-procurement system) is used to compile the Authority's contract register, however, we found that inaccurate contact details were held. There is no corporate protocol issued to officers regarding the storage of contract documentation.
Business Continuity & Emergency Planning	There was no evidence (over the past 18 months) of reporting to the Strategy & Resources Committee in respect of emergency planning arrangements in place at the Council. We were unable to evidence testing of any of the BCP's since 2014. BCP's reviewed included areas of omission, did not always record a responsible owner and the Heads of Service statements (which set out a responsibility for maintaining the BCP) were not routinely signed and dated.
IT Governance	The scope of this review was to ensure that there is an established framework in place that outlines effective operation of the IT department to achieve the organisation's business goals. There is an IT Strategic Plan for 2021-24 and this is aligned to corporate objectives. This strategy is supported by a work plan with priorities and resources assigned. There is an IT risk register and risks (albeit incomplete) that have been assigned to team members. Some IT policies have been produced but are incomplete and do not cover all aspects of the IT function. IT Strategy and Digital Design Boards are not active to provide governance. The IT risk register is incomplete and has no upward escalation route.
IT Database Management	The scope of this review was to ensure that databases are managed effectively, to maintain the integrity of data held and provide controls to prevent unauthorised access or loss of data. Effective controls were found for the identification, performance monitoring, backup and management of high privilege access for internal and remote access. Control weaknesses were identified in the updating of databases with security releases, policies and procedures for consistent and effective management of security, backup, change and vulnerability management. Although the member of staff responsible for database management is very experienced there is limited resilience for the role. Restores of data from database backups are not regularly tested to ensure data can be recovered in the event of a disaster.

Programme/Project Management	Following a review and refresh of the PPM Handbook during the year there has been no official 'launch' of the updated document set, nor has there been a clear directive which sets out compliance expectations. Our review identified several inconsistencies with compliance against the handbook and the governance to support programme and project management is inconsistent. There is limited in-house or external training opportunities for project delivery staff, including the Project/Programme Sponsor.
Safeguarding	The strategic action plan to underpin the Safeguarding Policy was not in place at the time of the review. Induction training had not been completed by all officers and members. Governance and reporting to senior management and members to enable them to effectively discharge their duties was absent. The Safeguarding Policy for Children and Adults states that safeguarding is referenced in the general conditions of contract for suppliers, however from our review of a sample of contracts we could not find evidence to support this.

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Internal Audit Progress Report - September 2022

Audit & Scrutiny Committee Tuesday, 27 September 2022

Report of: Neil Pitman – Head of Southern Internal Audit Partnership
Neil.pitman@hants.gov.uk

Purpose: For information

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report provides an overview of internal audit activity against assurance work completed in accordance with the approved audit plan (2022-23) and to provide an overview of the outstanding management actions.

This report supports the Council's priority of: Building a better Council

Contact officer Mark Hak-Sanders Chief Finance Officer and Section 151 Officer - mhaksanders@tandridge.gov.uk

Recommendation to Committee:

That the Committee notes the Internal Audit 2022/23 Progress Report – September 2022

Reason for recommendation:

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit & Scrutiny Committee

Introduction and background

- 1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
 - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 2 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit & Scrutiny Committee, summarising:
 - The status of 'live' internal audit reports (outstanding management actions);
 - an update on progress against the annual audit plan;
 - a summary of internal audit performance, planning and resourcing issues; and a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion.
- 3 Appendix A summarises the activities of internal audit for the period up to September 2022.
- 4 The progress report provides a clear and transparent articulation of internal audit activity, performance, and outcomes during the period up to September 2022.

Key implications

Comments of the Chief Finance Officer

The Progress Report on Internal Audit provides the Council an important insight into areas of risk for the Council where its key processes are not functioning effectively, and their improvement must be prioritised. There are however no direct financial implications of this report.

Comments of the Head of Legal Services

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

The Progress Report on Internal Audit is intended to ensure that effective systems of internal control are in place. This protects the Council and its Officers and provides an assurance to stakeholders and residents regarding the security of the Council's operations.

Equality

In consideration of impacts under the Public-Sector Equality Duty the proposal within this report do not have the potential to disadvantage or discriminate against different groups on the community.

Climate change

There are no environmental / sustainability implications associated with this report.

Appendices

Appendix 'A' – Internal Audit 2022/23 Progress Report – September 2022

Background papers

None.

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Southern Internal Audit Partnership

Assurance through excellence
and innovation

TANDRIDGE DISTRICT COUNCIL

Internal Audit Progress Report – 2022/23

Prepared by: Natalie Jerams, Deputy Head of Partnership

September 2022

Contents:

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

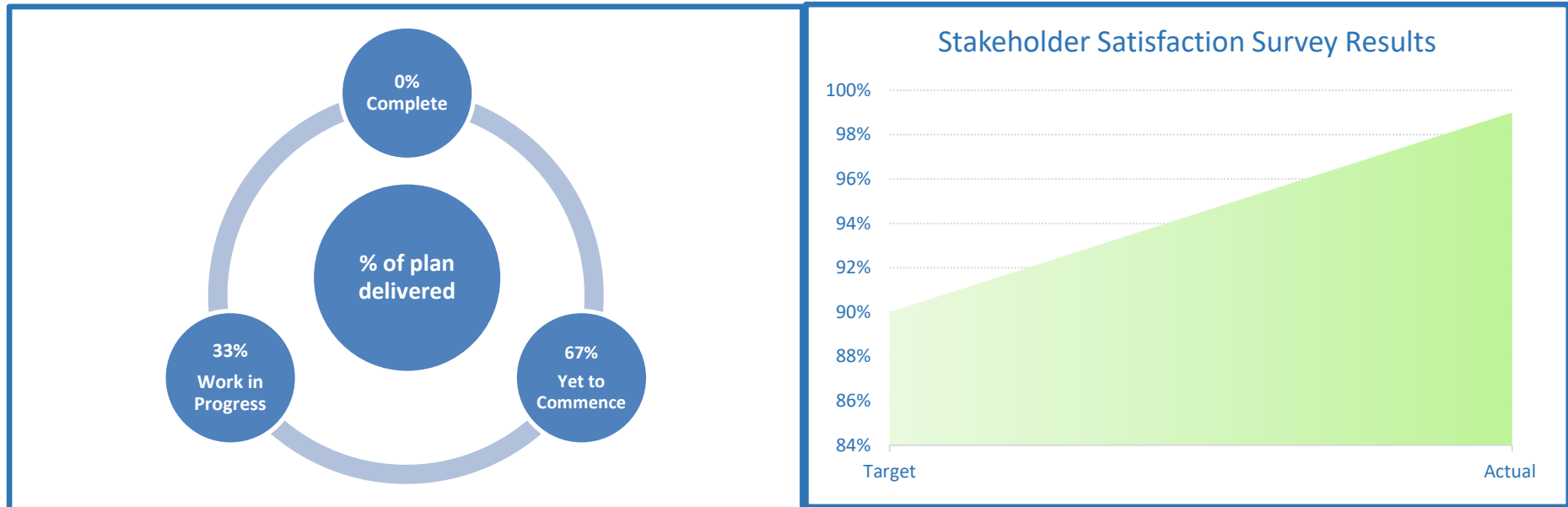
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1*

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	Overdue		
							L	M	H
IT Disaster Recovery & Business Continuity	06.07.20	HofT&BS	No Assurance	11(11)	0(0)	10(10)			1
Council Tax	02.10.20	EHofC	Adequate	5(2)	0(0)	4(2)		1	
Building Control	28.07.21	CPO	Limited	19(12)	0(0)	16(10)		1	2
Information Governance	11.08.21	HofLS	Limited	14(7)	0(0)	9(4)		2	3
Grants Register	18.08.21	EHofC & CFO	No Assurance	5(5)	0(0)	4(4)			1
Health & Safety	27.08.21	EHofC	No Assurance	26(17)	0(0)	24(16)		1	1
Annual Governance Statement	02.12.21	HofL	Limited	8(7)	0(0)	6(6)		1	1
Fraud Governance Arrangements	24.03.22	HofL	Limited	15(11)	0(0)	5(3)		2	8
Housing Rents	17.06.22	EHofC	Reasonable	8(4)	4(2)	4(2)			
IT Governance	20.06.22	CE	Limited	6(0)	4(0)	2(0)			
IT Database Management	20.06.22	CE	Limited	7(1)	7(1)	0(0)			
Income Collection	08.08.22	CFO	Reasonable	5(0)	4(0)	1(0)			
Contract Management	11.08.22	HofLS	Limited	20(3)	20(3)	0(0)			
Business Continuity & Emergency Planning	08.09.22	EHofC	Limited	12(11)	3(3)	9(8)			
Safeguarding	13.09.22	EHofC	Limited	14(7)	10(6)	4(1)			
Programme/Project Management	14.09.22	EHofC	Limited	4(0)	4(0)	0(0)			
Total				179(98)	56(15)	98(66)	0	8	17

*Total number of actions (total number of high priority actions)

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been four new reports published concluding a “limited” assurance opinion since our last progress report in July 2022. Details of these have been provided within the 2021/22 Internal Audit Annual Report & Opinion tabled in the previous agenda item.

6. Planning & Resourcing

The internal audit plan for 2022/23 was presented to the Management Team and the Audit & Scrutiny Committee in March 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Governance								
Savings Realisation	CFO	✓	✓					
Health and Safety	EHofC							Q3
Risk Management	HofP&C							Q4
Human Resources & Organisational Development	HofT&BS							Q4
Annual Governance Statement	HofL							Q3
IT								
IT Business Continuity	HofT&BS							Q3
Core Financial Reviews								
Accounts Payable	CFO							Q3
Accounts Receivable/Debt Management	CFO							Q3

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Main Accounting	CFO							Scoping meeting to be arranged. Delayed due to client's availability.
Payroll	CFO							Q4
Treasury Management	CFO	✓	✓	✓	✓			
Service Reviews								
Operational Services	EHofC	✓						
Environmental Health & Licensing	EHofC	✓	✓	✓				
Disabled Facility Grants	EHofC	✓	✓	✓	✓			
Other								
Follow Up	Various							Q4

Audit Sponsor					
CE	Chief Executive	CFO	Chief Finance Officer	HofLS	Head of Legal Services & Monitoring Officer
EHofC	Exec Head of Communities	CPO	Chief Planning Officer	HofT&BS	Head of Transformation & Business Support
HofP&C	Head of Policy & Communications				

8. Adjustment to the Internal Audit Plan

There have been no amendments to the plan to date.

Tandridge District Council Assurance Opinions (Pre 2020-21)

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

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Complaints and Freedom of Information update

Audit & Scrutiny Committee Tuesday 27 September 2022

Report of: Head of Policy and Communications

Purpose: For information

Publication status: Open

Wards affected: All

Executive summary:

This report provides an update about the Council's approach to managing complaints. Complaints are reported quarterly to the Audit and Scrutiny Committee and details about what has changed as a result of a complaint are published on the website.

In addition, this report includes details about the type of Freedom of Information requests received.

This report supports the Council's priority of: Building a better Council

Contact officer Giuseppina Valenza, Head of Policy and Communications,
gvalenza@tandridge.gov.uk

Recommendation to Committee:

The committee is asked to note and accept the report.

Reason for recommendation:

The Complaints Policy stipulates complaints should be reported quarterly to the Audit and Scrutiny Committee.

A robust complaints policy ensures customer service standards are sustained and improved. It also helps maintain the Council's reputation. An approach of continuous improvement gained by learning from complaints, supports the priority of Building a better Council.

The details about the Freedom of Information requests are provided to show the volume of requests and services impacted in being required to respond to these.

Introduction and background

1. The Council aims to provide an excellent experience every time a customer uses its services, but occasionally things do go wrong. When that happens, the Council would like the opportunity to put things right.
2. If a service falls below the expected standard, officers work with customers to resolve any issues as quickly as possible. Where this still does not resolve the issue, customers may want to make a formal complaint.
3. Complaints, comments and compliments from customers help the Council identify what has worked well and what could be better.
4. Comments and complaints are used to see where processes should be reviewed and improvements made. In addition, compliments are passed on to staff and shared internally.
5. The complaints policy has two stages. Stage 1: Resolution. If customers are not satisfied with the service they receive, they can make a Stage 1 complaint. Where the customer is not happy with the response to their Stage 1 complaint, they can escalate it to Stage 2: Review. The customer must clearly explain why they are dissatisfied with the Stage 1 investigation and what they think the Council needs to do to put matters right.

Timescales

6. At both stages complaints:
 - Are automatically acknowledged within 2 working days.
 - Are fully investigated and responded to within 10 working days. Where this is not possible the customer is contacted to let them know when they can expect a reply.
7. If customers are still not happy with the response, they receive at Stage 2, they are referred to the Local Government and Social Care Ombudsman (LGSCO). The LGSCO investigates complaints about councils with the aim of putting things right if they have gone wrong.

Lessons learned

8. We capture what lessons have been learned from complaints, with the aim of improving customer service.
9. As part of the Stage 1 investigations, team leaders review the process or practice used, to highlight where improvements could be made. Any changes are recorded in the system with a record of the action taken as a result, for example staff training, changes to a system or process etc.
10. At Stage 2 a member of the Senior Leadership Team reviews the response to Stage 1, to see if it could have been prevented from escalating to Stage 2.
11. In the last quarter there were a few complaints about the way in which an enquiry was handled by the officer and that officer's response. These have been reviewed and discussed by the team leaders and service leads to see where improvements can be made, or training is required.
12. A customer satisfaction survey for complaints is sent to complainants once their case has been closed. This asks if complainants found the process easy to use and are satisfied with the response to their complaint.
13. In the last quarter there were four responses. Two respondents found the complaints process difficult and were not satisfied with the response provided. This was partly due to the length of time it had taken for a response to be sent to them and the lack of information given in the response.

Number of complaints

14. In the last quarter (1 April to 30 June 2022) there were 18 new complaints and 9 Stage 2 complaints. Table A provides more details.
 - There were 4 complaints for housing (including housing needs and homelessness), with 1 at stage two.
 - There were 6 complaints about council tax, with 3 at stage 2.

Table A: Complaints 1 April to 30 June 2022

Service	Summary of complaint	Stage 1	Stage 2
Community Surveyors	No heating, not rectified within 24 hours. Heating company rude, wrong engineer sent.	✓	
Community Surveyors	No running water in property, slow to respond.	✓	
Community Surveyors (stage 1 in previous quarter).	Ongoing housing disrepair.		✓
Council tax	Lack of contact from Council to set up tax bill following a move	✓	
Council tax	Sent bill for the wrong amount, felt council was pressurising to pay.	✓	✓
Council tax	Council tax bill sent to wrong address, direct debit cancelled, large payment due.	✓	
Council tax	Lack of response to enquiry.	✓	✓
Council tax	Lack of response to enquiry.	✓	✓
Council tax	Lack of call back to enquiry.	✓	
Environmental Health	Complaint into investigation involving the complainant's dogs	✓	✓
Environmental Health/Planning	Licencing and planning complaint about an event.	✓	
Health And Wellbeing	Rude telephone exchange.	✓	
Homelessness	Rude telephone exchange.	✓	
Homelessness	Alleged housing discrimination and given wrong information. Officer rude.	✓	✓
Homelessness	Felt misled and discriminated against	✓	
Housing	Querying service charges and other requested payments which the complainant believes they're not eligible for under the terms of the lease	✓	
Planning	Not heard anything about application in nine months	✓	✓
Planning (stage 1 in previous quarter).	Complaint about development.		✓
Planning (stage 1 in previous quarter).	No response from Planning.		✓
Ukraine	Not eligible for £350 from Homes for Ukraine fund	✓	✓
Waste and recycling	Bins stopped being collected after claimed for damage to property by Biffa vehicle.	✓	
Total		18	8

Complaints to the Local Government and Social Care Ombudsman (LGSCO)

15. In the last quarter six complaints were considered by the LGSCO. Three for housing and three for planning. Two of the housing and one of the planning complaints were not upheld. The other two cases are still under investigation.

Compensation

16. The Council offers compensation as a goodwill gesture and this is set at a maximum of £50. This is only considered in exceptional circumstances, where the complaint investigation identifies a fundamental service failure in the way the situation has been handled and where the issue caused a customer unnecessary upset and distress. In this quarter we have not made any compensation payments.

17. In certain instances, the Council offers discretionary financial compensation to council tenants or leaseholders in the event of a failure of the Housing Landlord Service. Although a discretionary scheme, it is an expectation of the Social Housing Regulator and the Social Housing Ombudsman that there is one.

18. There are also some landlord related compensation payments required by law. These relate to homelessness and disturbance payments when tenants are required to move out of their home. Any compensation is funded by the Housing Revenue account.

19. In the last quarter we have made no housing related compensation payments.

Compliments

20. Compliments about staff and the way they have responded to customers are shared internally on the intranet.

Freedom of Information (FOI), Data Protection Act, Subject Access Request, Environmental Information Regulation process

21. There are two separate pieces of legislation under which the public can request information from the Council. These are the Freedom of Information Act (FOIA) 2000 and the Environmental Information Regulations (EIR) 2004. The FOIA provides a general right of access and the EIR provide additional rights of access to environmental information.

22. Both pieces of legislation provide the public with a general right of access to all recorded information held by public authorities. This includes drafts, e-mails, letter, notes, recordings of telephone conversations and CCTV recordings.

23. Anyone can make a freedom of information or an environmental information request – they do not have to be UK citizens, or resident in the UK.

24. All Freedom of Information (FOI), Data Protection Act (DPA), Subject Access Request (SAR) or Environmental Information Regulation (EIR) requests are registered on the corporate system.

25. The Council has 20 working days to reply to an FOI or EIR request and a month for DPAs and SAR. It can often take longer than this if the request is particularly complex or involves multiple documents. All personal data must be redacted from documents before being released and this can take a long time. If the Council is late in responding a holding response is sent to the enquirer to make them aware the response is taking longer to prepare.

26. In the last quarter (1 April-30 June 2022) we received 147 FOIs. Table C shows the breakdown of requests by service area.

Table B: FOIs 1 April to 30 June 2022

Service area	Number of FOIs
Benefits	3
Building Control	1
Business rates	21
Climate change and energy efficiency	1
Commercial Asset Management/Finance	1
Communications	2
Communications, Council tax, customer services, IT	1
Community Safety	5
Community Surveyors	1
Council Housing	3
Council Housing/ Finance/ ICT	1
Council Housing/Legal	1
Council Housing/Planning Policy	1
Council tax	11
Council tax/Finance	1
Environmental Health	13
Environmental Health/ Finance	1
Environmental Health/Housing	1
Environmental Health/Housing/Planning/Trees	1
Facilities	1
Finance	7
Finance	1
Homelessness	8
Household Support Fund	4
Housing	4

Housing Development/Building Control	1
Housing/Benefits	1
Housing/ICT	1
HR	6
HR/Finance	1
HR/ICT	2
ICT	8
Legal	1
Operational Services	6
Parking	2
Parking/Finance	1
Parks	2
Parks/Commercial Asset Management	1
Planning	8
Planning Policy/Finance	1
Policy/Finance	1
Total	147

27.Many FOIs are repeat requests and are often from companies trying to find out what contracts the Council has, what software it currently uses, how many people are working in a particular service area etc.

28.The Information Commissioners Office (ICO) is the independent body which oversees FOI and EIR. If the public remains unhappy after the internal review procedure, they can complain to the ICO. If the ICO considers the complaint to have merit they will carry out an investigation. The FOI Officer is responsible for providing the ICO with any information they need for their investigation.

29.The ICO requires a formal written explanation of the Council's position, as well as a copy of any withheld information. The ICO will issue a Decision Notice which can either uphold the Council's position or require any withheld information be disclosed. The Council has not received any decision notices from the ICO in this quarter.

Key implications

Comments of the Chief Finance Officer

There are no direct financial implications arising from this report.

Dealing with complaints puts an additional resource burden on the Council in terms of staff time and correctly dealing with complaints in the early stages reduces this. Learning from our mistakes and improving processes reduces the chances of reoccurrence and frees up officer time to focus on delivering services. Where compensation payments are necessary these will need to be met by services from existing budgetary provision.

Comments of the Head of Legal Services

This report provides a review of the number of complaints received, as well as information about FOI and EIR requests.

The regulatory body, the Information Commissioner's Office (ICO) considers the key performance indicator is the compliance with the statutory 20 Working days deadline for both FOI and EIR requests. The ICO would intervene to monitor a council where it was aware its compliance rate had fallen below 90%.

If any complaint raises issues which may have legal implications or consequences, the Legal team should be consulted.

There is no statutory duty to report regularly to any of the committees about the Council's performance, but it is good practice to provide this information. Under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

Regular reports about the Council's performance in responding to complaints and FOI and EIR requests help to demonstrate best value and compliance with the statutory duty.

Equality

To ensure anyone can make a complaint, complaints can be submitted in a number of ways. They can:

- Complete a form.
- E-mail the Council.
- Write to the Council.
- Visit the Council Offices and a complaint can be recorded by an officer.
- Call 01883 722000 and a Customer Services Advisor can complete a form for a customer over the phone.

Complaints on social media cannot be accepted, as it is too difficult to capture information and not practical if it is sensitive or confidential. When a complaint is received via social media, the complainant is asked to contact the Council in one of the above ways.

While all complaints are dealt with confidentially, anonymous complaints cannot be responded to.

Climate change

There are no significant environmental / sustainability implications associated with this report.

Appendices

None

Background papers

None

----- end of report -----

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