

## 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 27 June 2023 at 7:30pm.

**PRESENT:** Councillors Booth (Chair), Allen (Vice-Chair), Sue Farr, Anna Jones, North, Patel, Sharp, Colin White, Nicholas White and Hammond (Substitute) (In place of Cooper)

**ALSO PRESENT (Virtually):** Councillor Chris Farr

**APOLOGIES FOR ABSENCE:** Councillor Cooper

#### **59. MINUTES OF THE MEETING HELD ON 4TH APRIL 2023**

The minutes were confirmed and signed as a correct record.

#### **60. MINUTES OF THE MEETING HELD ON 26TH MAY 2023**

The minutes were confirmed and signed as a correct record.

#### **61. EXTERNAL AUDIT - 2020/21 ACCOUNTS**

The Committee received a report relating to the conclusion of the 2020/21 accounts by Deloitte, the Council's external auditors. The report followed up on the previous committee update where Members were informed that the audit had been substantially completed. Officers confirmed that Deloitte had signed the accounts and issued their audit opinion, which was unqualified and contained no material uncertainty in respect of the Council's ability to continue as a going concern.

Deloitte had recently sent the Council a document proposing additional audit fees of £136,000 and £209,000 for the 2019/20 and 2020/21 audit years respectively. Officers advised that the standard fee for an authority the size of the Council was £36,000 per annum. The proposed additional audit fees therefore represented a 479% increase on the standard audit fee. Deloitte informed the Committee that the proposed additional audit fees had already been reduced by one third.

Officers explained that discussions with Deloitte regarding the proposed fees was still at an early stage and provided Members with an overview of the negotiation process. As commercial discussions were in progress, the fee variations were not discussed in detail. It was confirmed that the Head of Legal would be assisting the Chief Finance Officer with the discussions and external advice would be sought where necessary. Officers advised that a fee increase was inevitable due to the recent additional burdens placed on auditors. However, the proposed level of variation was high and therefore the report recommended that the Committee reject the proposed additional fees.

In response to Member questions, it was confirmed that:

- the 2020/21 audit was complete but there had been a delay in finalising the Certification of Completion as the Value for Money report was still outstanding.

- the cost for completing the Value for Money report was included in the proposed fees received from Deloitte.
- the Council had contingencies in place to avoid an impact on service delivery in 2023/24, however any additional amount spent on the audit fee would mean less in future for the delivery of services or to hold in reserves.
- agreement of the project plan for the 2021/22 audit would be key to making sure that remote working would not impact the next audit in the same way as for the 2020/21 audit.
- the Council was in an improved position to provide Deloitte with the information required to complete the next audit and that past fundamental problems with the provision of information had been resolved.

**RESOLVED** – that

- A. the signed audit opinion for the 2020/21 accounts be noted.
- B. the proposed fee variations for 2019/20 and 2020/21 as set out in Appendix 2 to the report be rejected.
- C. it be noted that officers have begun the process to challenge the fees and would report back to Committee as the work progressed.

## **62. 2021/22 FINAL EXTERNAL AUDIT PLAN**

The Committee received a report outlining an update to the indicative audit plan and planning report that had been presented to the Committee in September 2022. Officers advised that Deloitte were required to agree a plan before the 2021/22 audit could commence. It was noted that fee discussions for the 2021/22 audit would be held at the earliest opportunity so the Committee could be updated.

Deloitte confirmed that there had been no significant changes to the indicative plan and provided a summary of the significant risks contained in the audit and explained how these would be tested. Particular reference was made to the inclusion of pension valuations in the audit which has been added following a national issue relating to the 2022 triannual evaluation. The importance of agreeing the number of work hours in the plan was emphasised so that fees could be agreed from the outset.

In response to Member questions, it was confirmed that:

- the intention was for the audit to begin in July 2023 and complete in September 2023. Deloitte confirmed that resources had been booked for the relevant period but emphasised the importance of agreeing the project plan, the number of hours required to complete the audit and the process for providing quality working papers to assist with the timely delivery of the audit.
- planned holiday absence would be taken into consideration when agreeing the audit project plan.
- the Council's Finance Team was more established compared to previous audits which would assist in delivering journal sampling to Deloitte when requested.

- significant delays experienced in previous audits relating to the impact of Covid-19 on the Collection Fund should not be repeated as audit methodologies had been established to deal with this issue.
- if the position on the fees for the 2021/22 audit could be agreed with Deloitte when preparing the project plan, a decision could be made using the urgency provisions in the Council's constitution to proceed with the audit before the next meeting of the Committee in consultation with the Chair and Vice Chair of the Committee.
- the Committee would be kept updated on the progress of the agreement of the project plan.

**RESOLVED** – that the Committee approve the final 2021/22 audit plan.

### **63. INTERNAL AUDIT 2022/23 PROGRESS REPORT – MAY 2023**

The Committee received a progress report from the Southern Internal Audit Partnership (SIAP) which included:

- an analysis of live audit reviews that still had management actions pending or overdue.
- a progress update against the 2022/23 Internal Audit Plan.
- a summary of any adjustments to the Internal Audit Plan and any significant issues that would impact on the Chief Internal Auditor's annual opinion.

Officers advised the Committee that the implementation of a data replication system between the Oxted Council Offices and the Warren Lane Depot had developed a technical fault caused by the network configuration supplied to the Council by a third party. A solution had been supplied and was currently being implemented. The Committee would be updated of any developments in advance of the next meeting.

In respect of outstanding management actions and in response to Member questions it was explained that:

- a joint working arrangement was in place with Reigate & Banstead Borough Council to cover the Council's fraud and governance arrangements. It was expected that the ten outstanding actions would be completed in July. The working arrangement would provide a long term solution to this area.
- all ten outstanding actions relating to the contract management guide should be completed by the next committee. It was noted that for future audits the approach to related management actions would be altered to avoid repetition where actions are likely to be achieved at the same time.
- Officers were working with constrained resources to complete some of the outstanding audit actions which had resulted in the completion dates being amended and actions being prioritised alongside delivering business as usual.
- Council staff turnover was slightly better than average when benchmarked against other Surrey authorities which, along with the addition of new and experienced staff, meant that there was a combination of knowledge and stability within the Council's workforce.

It was noted by Members that the most recent audit reports had received improved assurance opinions which was welcomed.

**RESOLVED** – that the Committee note the Internal Audit 2022/23 Progress Report – May 2023.

**ACTIONS –**

From A&S Committee – 27.06.23	Responsible Officer	Deadline
1. The Committee to be updated on the resolution of issues with the implementation of a data replication system at the Warren Lane Depot in advance of the next meeting.	Chief Finance Officer	26 September 2023

## 64. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2022/23

The Committee received a report from SIAP explaining why the Internal Annual Report and Opinion 2022/23 had not been presented to the Committee as planned. It was recommended to delay the final report until the next meeting of the Committee in September 2023 to allow further time for the following key audits to be completed:

- Annual Governance Statement (AGS).
- Risk Management.
- Health & Safety.

It was confirmed that the delay would not create any significant implications for the Council or SIAP.

In response to Member's concerns regarding the delay in the provision of the Annual Report and Opinion and the capacity issues with the Head of Legal, it was confirmed that the AGS for 2021/22 had been completed and was published on the Council's website; only the audit of the AGS against best practice remained outstanding.

**RESOLVED** – that the Committee notes the delay to the finalisation of the Internal Audit Annual Report & Opinion for 2022/23.

## 65. FUTURE TANDRIDGE PROGRAMME UPDATE – JUNE 2023

The Committee considered an update report concerning the governance risk and issue management for the Future Tandridge Programme (FTP). It was noted that a full report on the FTP would be discussed at Strategy & Resources Committee on 29<sup>th</sup> June 2023.

Members were advised that:

- the overall project status was amber which was unchanged from the previous update to Committee.
- the risk register had been updated to include a new risk relating to the Council's difficulties in recruiting an organisational development lead.

- risks relating to the recruitment to the positions of Lead Officer for the Digital Programme and Commercial Business Analyst and the absence of regular staff communications had resolved and therefore removed from the register.
- positive progress was being made in the delivery of the £1.7m savings following the reduction in the value of “at risk” savings from £964k to £624k, £184k being classified as blue (delivered) with the remaining £156k classified as green (clear plans, realistic timescales).
- a significant amount of work had been completed on the Financial Transformation Programme over the past 12 months which has resulted in a significant improvement in the outcome from internal audit report.

In response to Member questions it was confirmed that:

- projected savings would not be marked as completed until Senior Officers were confident that the saving had been delivered. Consequently, the completed savings made in the FTP were likely to be higher than indicated due to the Council's cautious approach.
- Key Performance Indicators (KPIs) were in place for Accounts Payable and Debt Recovery and these would be reported to the Strategy & Resources Committee. The Council was moving towards a consistent set of KPIs across the organisation.
- the Council has an internal recruitment process that is followed when a post initially becomes vacant. Specialist recruitment agencies were only instructed when the internal process does not produce any suitable candidates. A specific budget was in place if a specialist recruitment agency was instructed.

**RESOLVED** – that the committee:

- A. note the direction of travel for the FTP and the savings identified for delivery in 2023/24.
- B. note the approach to risk management being applied and the current programme level risks identified in Appendix D.
- C. note the 12-month update on the outstanding Tandridge Finance Transformation programme actions.

## **66. COMPLAINTS AND FREEDOM OF INFORMATION UPDATE**

The Committee received a report which summarised the Council's complaints policy and presented breakdowns of the 15 Stage 1 complaints and 3 Stage 2 complaints received in the quarter from 1 January 2023 to 31 March 2023. This represented a significant reduction from the previous quarter. The report also provided information about the complaints currently being considered by the Local Government Ombudsman, and included a summary of a decision of severe maladministration in respect of a housing complaint.

The report also provided a breakdown of the 226 Freedom of Information (FOI) requests received in the same quarter which represented an increase from the previous quarter. The Council was attempting to address the increase in the number of FOIs and the time spent

processing them by publishing information consistently on its website and signposting when possible. It was noted that despite this work, FOIs remained a resourcing concern.

**RESOLVED** – that the report be accepted and noted.

## **67. APPOINTMENT OF AN INDEPENDENT PERSON TO THE AUDIT & SCRUTINY COMMITTEE**

The Committee received a report seeking an agreement to the principle of the Council co-opting an Independent Person to the Audit & Scrutiny Committee as recommended by the Redmond Review which was published in 2020. It was noted that any successful appointment would be for an initial period of 2 years and would attract a salary of £500 per annum.

**RECOMMENDED** – that (subject to ratification by Full Council) the Committee:

- A. approve the principle of co-opting an Independent Person onto the Audit & Scrutiny Committee on a non-voting basis for a period of two years, with an associated allowance of £500 per annum.
- B. change the permanent membership of the Audit & Scrutiny Committee to include an Independent Person.
- C. delegate to s151 Officer, in conjunction with the Chair and Vice Chair of the Audit & Scrutiny Committee, to undertake the recruitment process and formal appointment of the Independent Person to the Committee, including any future appointments.
- D. approve the role description, skills and competencies and person specification at Appendix A.
- E. authorise the Head of Legal and Democratic Services to make changes to the Council's Constitution to include the appointment when made.

Rising 9.02 pm